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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2107



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KEY TASKS OF CSSR INDUSTRY IN 1981 OUTLINED

Prague SVET HOSPODARSTVI in Czech 18 Dec 80 p 1

[Article: "The Tasks of the Czechoslovak Economy"]

[Text] The main objective of the plan for 1981 is to create preconditions for an accelerated rearrangement initiated 2 years ago in utilizing the resources of our social production in order to improve the external balance. The main emphasis, therefore, must be placed on bringing the structure of our production into agreement with the demands of the foreign and domestic markets, rather than on a quantitative growth of the resources. In accordance with the projected development, i.e., higher efficiency and productivity of our economy, the plan focuses to an appropriate extent on the maintenance and further improvement of the quality of the living standard achieved by our people and on improving their social services.

-- The plan stipulates that the work force in our national economy will increase by 34,000, which is approximately 20,000 less than this year. The average wage may increase by 1.7 percent. The total financial income of our population will reach Kcs 370 billion. The social income will rise in 1981 by about 3 percent. The average pension payment will be up by about 2 percent and cash benefits paid in the form of social assistance to families with children will amount on the average to Kcs 370 per month per child. In accordance with the dynamism and structure of our population's income the retail turnover will increase 2.3 percent, and paid services by 4 percent. We are maintaining a high consumption rate of meat, i.e., between 85-86 kg per citizen, even at the cost of imported fodder. The material social consumption will be up by 2.6 percent, which makes possible a further development of health care, the educational system and culture.

-- In the area of fuels and energy our economy will have at its disposal primary resources amounting to approximately 106.3 million tons of standard fuels for our domestic consumption, in other words, an increment of roughly 2.6 percent over this year's level. The plan stipulates the tasks to produce 27.8 tons of bituminous coal and 95.5 million tons of brown coal and lignite. The sources of electric power, i.e., its production and import, will amount to about 77 billion kWh. The highest total increment in its generation will be achieved in nuclear power production, which will contribute more than 60 percent in the total increment in power generation. The consumption of crude-oil products for chemical processing will be increased next year. We must substitute for the ethylene and propylene imported from the GDR and conversely, according to a binding contract,

we shall begin delivering ethylene. Our domestic raw material base for the production of plastics will be noticeably expanded, with a 3.5 percent increase in their production as compared with 1980. The production of low-pressure polyethylene will be expanded (by 15 percent), and so will be the production of microten foil and polypropylene fibers.

— The development of our national economy next year will call for good achievements in the metallurgical industry. The plan presupposes the production of more than 10 million tons of pig iron, 15.7 million tons of steel, 11.1 million tons of rolled stock, and 1.5 million tons of steel pipes, in other words, about 2.25 percent higher production than this year. The consumption of metals in our national economy is covered by the plan, but naturally, it should be mentioned that the fulfillment of the program to save all kinds of metals remains as urgent as the fulfillment of the program to conserve fuels and energy.

— The engineering industry, whose production will increase by 5.5 percent, will participate next year, as it has in the past, to a considerable degree in the development of our national economy. In accordance with the needs of capital investment and more intensive introduction of electronics and computer technology in every branch of our national economy, the development of our engineering industry counts on an accelerated development of our electrical engineering. Our engineering industry must adapt its structure of production much more promptly to the demands of our foreign customers, to raise the technical standards and quality of our products, and to accelerate the rate of innovations, including improvement of consumer goods.

-- In the wood-processing industry, whose production will increase by 4 percent, the program focuses on a further development of the chemical and mechanical processing industries, and on more advantageous exports. Expanded production of unbleached chemical pulp, paper and cardboard, timber, chipboard and furniture is under consideration.

-- The production in light industry will increase by 2.5 percent. Its development is focused on deliveries for our domestic market, as well as on further expansion of export. Deliveries of consumer goods, particularly cotton textiles, knit underwear, garments and outerwear, will be higher.

-- In agriculture we realistically assessed our potential, and in view of the results achieved this year, we anticipate a 2.6 percent increase in gross production. The main task here is to achieve the necessary priority for vegetable production over animal production. The development of animal production will be limited by the sources and structure of the fodder. While the consumption of bulk fodder is covered, additional imports of fodder from the nonsocialist countries must be contemplated in order to replenish our sources of grain fodder.

-- The development of our food industry is contingent on the supply of raw materials from our domestic production and from import. Deliveries for market funds will be up by 3.2 percent. The plan stipulated deliveries of machinery and equipment for the entire agricultural complex amounting to Kcs 9.7 billion, of which Kcs 6.85 billion will be for agriculture. About 7,500 tractor units, more

than 2,400 trucks, 1,000 combines and other essential means of mechanization will be delivered. Deliveries of fertilizers will amount to 257.4 kg of pure nutrients per hectare of agricultural land.

— In transportation special attention must be focused on transport of solid fuels, ores, scrap metal, construction materials and soils. In accordance with the principles of rationalized division of labor between the public and enterprise highway transport, the plan presupposes a higher share of public transportation where the use of the fleet will roughly double.

— The key to the solution of programs aiming at higher efficiency is more expeditious introduction of the achievement of scientific and technological progress in the process of replacement. According to the plan for 1981 we shall expand labor forces and other means serving scientific-technological development, thus maintaining a high share in the national income which is fully comparable with advanced industrial states. A compulsory indicator of the share of products reflecting high technical and economic standards has been introduced in order to further upgrade the technological standard and quality of production.

— The necessity to reduce internal exploitation of our national income affected also the scope and structure of capital investment in 1981. The plan stipulated its volume essentially on the level of the outcome projected for 1980. It is of vital importance to concentrate on more expeditious completion of buildings under construction and on delivering them for occupation. The plan assigns priority to programs of modernization upgrading the usefulness of the existing facilities and conserving work forces. Only the most essential construction projects that are vital for further development, whose plans have been completed and whose supplies are guaranteed, will be included in the program. The scope of construction projects to be launched with budget costs over Kcs 2 million will amount to approximately Kcs 40 billion, i.e., to about two-thirds of the projects launched this year. Construction of fewer large projects will begin and, moreover, it is expected that construction projects without sufficiently guaranteed supplies may be decelerated or temporarily suspended, and any diffusion of capacities into small construction projects and programs prevented. The rate of large unfinished construction projects must be reduced within 2 years by at least 15 percent. In the future small-scale projects will be approved only if there is a guarantee that they will be completed within 12 months. The volume of work performed by contracting construction organizations in capital investment will be up by 2.7 percent.

— The changes in world conditions over the latter part of the 1970's, reflected among other things in the noticeably deteriorating exchange rates in foreign trade (mainly due to the fact that the prices of fuels and raw materials have been rising in world markets more rapidly than finished products), have resulted in demands on balance of trade and payments substantially higher now than in the Fifth Five-Year Plan. Therefore, we consider it one of our strategic tasks to accelerate and radically intensify our economy's export competitiveness. The fulfillment of the main objectives in our socioeconomic development will depend on the degree to which we can master this task. In the overall development of foreign relations we give priority to the further intensification and expansion of our cooperation with the CEMA member countries, above all, with the USSR.

Our national economic plan for 1981 consists in part of tasks inherent in the plan for multilateral measures to achieve integration within CEMA. Furthermore, our economic relations with the nonsocialist countries will also be expanded. In that context the plan stipulates the task to increase and upgrade exports as much as possible. In our view, an important precondition for the fulfillment of our export tasks in general is a higher export potential of our machine engineering branch whose share of the exports to the nonsocialist states thus far has been no more one-third. We are especially concerned about increasing our machine engineering exports. However, this must not lower the demands on more competitive exports in all other branches of our national economy, beginning with the chemical, wood-processing and light industries, and ending with building construction, production cooperatives and local management enterprises. By the same token it will be necessary to seek every opportunity to obtain better prices for Czechoslovak exports.

-- A significant political and economic document--the Set of Measures for Improving the Planned Management System of National Economy After 1980--will be introduced in practice as of next year. We have every right to expect that the implementation of its principles will focus attention on all levels of management, as well as on workers, technicians, and economists--briefly, on all of our working people--on the quality of work, the degree of rational management and the efficiency of all economic activities.

9004

CSO: 2400

CEMA INTEGRATION SOLUTION TO FUEL, RAW MATERIAL PROBLEMS

Prague ZAHRANICNI OBCHOD in Czech No 10-11, 1980, pp 13-14

[Article by Nelly V. Davletsina]

[Text] Ensuring power supply for future needs of the CSSR economy constitutes a very serious problem. Current studies on the future development of the Czechoslovak national economy indicate that annual consumption growth rates of primary power and energy resources in the CSSR will not exceed an average of 2 percent in the 1981 to 1990 period. Greater emphasis will be placed on the rational use of fuels and energy which is also made possible by a high per capita primary energy consumption currently approaching 7 tons standard fuel, among the highest in the world. Gross power consumption, including the requirements of pumped storage hydroelectric power plants, is expected to increase to approximately 90 billion kwh in 1985 compared with 72.6 billion kwh in 1979; in 1990 consumption will reach approximately 110 billion kwh.

Due to the limited domestic fuel and energy resources the past trend of the CSSR fuel and energy balance was characterized by a rapid increase in fuel and energy imports with the proportion approaching 40 percent to meet the country's requirements. The steep price increase of fuels and energy, especially of oil, and the continuation of this trend on the world market has rendered oil prices prohibitive for the Czechoslovak national economy. For this reason economic planning has focused on the utmost development of domestic fuel and energy resources, especially on the mining of brown coal. But in this respect the development of nuclear power, founded on broad-based cooperation with other CEMA member states and primarily with the USSR, is of strategic importance for the long term. Tightening up on the economic use of all types of fuels and energy is likewise of prime importance. Even with these measures a mild increase in imports of fuels and energy must be expected in coming years, even though the proportion of imports of the overall fuel and power requirements will gradually decrease.

The following data for 1978 indicate the proportions by which CEMA countries helped meet the CSSR requirement of fuels and some important raw materials. That year the CSSR import requirements of crude oil were met by 95 percent, of natural gas by 100 percent, of cast iron by 99 percent, of iron ore by 84 percent, of manganese ore by 70 percent, of finished lumber by 100 percent and of hard coal by 57 percent from the USSR, with the remaining 43 percent imported from the Polish People's Republic, which also supplied 92 percent of the sulfur requirement, etc.

A large part of deliveries of these products is being supplied on the basis of credits granted the CSSR for its participation in the enlargement of the capacities and the construction of economic projects on the territory of the USSR and in some other socialist countries. Czechoslovakia was the first socialist country which in 1960 granted the USSR a special purpose credit in the amount of 280 million rubles on the basis of the agreement on mutual cooperation in the field of mining and processing of iron ore and ores of nonferrous metals. The surface mining, transportation and processing equipment supplied by Czechoslovakia on credit made it possible to enlarge the capacity of the USSR mining and metallurgical industry. Beginning in 1966 the USSR has been repaying the credit in annual deliveries of 20,000 tons of aluminum, 15,000 tons of copper, 9,000 tons of lead, 6,000 tons of zinc and 1.8 million tons of iron ore concentrate, etc.

Czechoslovakia is cooperating with the USSR on the same principle by developing the oil industry (on the basis of the agreement concluded on 29 September 1966) and natural gas industry (concluded on 10 September 1968) and has delivered to the USSR within the framework of these agreements a complete rolling mill installation for the production of 3.6 meter-wide Kvarto 3600 sheet iron whose value constitutes one-fifth of the credit, a complete installation for the production of welded large-diameter tubing, three stripping assemblies, trucks, pipes for laying gas pipelines, machine tools and also consumer goods. The USSR, in repayment of the loan, has increased gradually the deliveries of crude oil and natural gas. Compared with 1970, USSR crude oil deliveries to the CSSR will double in 1980, and natural gas deliveries will increase sevenfold.

It should be stressed that the role of the Soviet Union as the principal supplier of the Czechoslovak economy with fuels, raw materials and energy is irreplaceable. In 1980, for example, the Soviet Union will supply Czechoslovakia with 18.8 million tons of oil, 8.8 billion cubic meters of natural gas, 65,000 tons of cotton, 1 million tons of cast iron, 3.2 million tons of black coal, 2.1 billion kwh of power, a large quantity of nonferrous metals, chemical fertilizers and various chemical raw materials and other products.

The Soviet Union, which provides Czechoslovakia and the other fraternal countries with fuel and other raw materials as its international duty, is including these deliveries in the developmental planning of its mining industry.

In the period from 1976 till 1980, for example, the USSR has increased fuel and power deliveries to CEMA countries by almost 50 percent over the preceding five-year plan, charging these countries lower than world market prices. (Even though on the basis of the agreement reached by CEMA member states on pricing, world prices will serve as guidelines for price setting in mutual transactions albeit with a certain time lag and free of market fluctuations.) In 1979, for example, the price of crude oil supplied to fraternal countries by the Soviet Union was only 60 percent of the world price. In addition, the USSR continued to deliver a considerable part of its export deliveries to the CSSR and the GDR at 1966 prices (15 rubles per ton) to pay off the loans granted it for increasing oil production capacity.

The long-term target program of cooperation between CEMA countries in the field of energy, fuels and raw materials, adopted at the 32nd CEMA Plenum in June 1978, considers the accelerated development of nuclear power, increased mining and more economic utilization of domestic solid fuel resources, continued development of interconnected electric grids in CEMA member states and the joint development of new natural resource capacities by interested countries as the main goals of cooperation. At the start of 1980 343 long-term cooperation target programs (DCPS) were specified for the vital production sectors (the CSSR participates in 308 programs); 86 of the specified DCPS measures concern the fuel, energy and raw materials industry.

In the long view the most promising form of cooperation in the field of fuels, energy and raw materials is the joint development of production capacities by multilateral pooling of material, financial and, in many instances, also labor resources of the interested CEMA member states. To name examples of such cooperation: laying the "Soyuz" gas pipeline, building the very high voltage (750 KV) Vinnica (USSR)-Albertirsa (Hungary) power transmission line, building the Kijembayev ore enrichment combine for the production of asbestos, establishing production facilities for nickel- and cobalt-containing products in Cuba, etc. The building of the very high voltage (750 KV) power transmission line made it possible to increase the supply of power from the USSR to the CSSR in 1979 to 600 million kwh, and beginning with 1980 to 1.2 billion kwh for a period of 30 years while raising the capacity during peak periods to 250 MW. In subsequent years power imports from the USSR to the CSSR will increase further as a result of the participation of Czechoslovakia in the construction of the Chmelnice nuclear power plant on the territory of the USSR. In payment for its participation in the construction of the "Soyuz" gas pipeline (Orenburg-western border of the USSR) which went on line at the end of 1978, the CSSR will receive this high grade fuel and raw material for 20 years; since 1980 the volume of deliveries from this source has reached 2.8 billion cubic meters of gas annually. Together with supplemental deliveries of Soviet gas supplied in payment for the transportation of gas over the territory of the CSSR to West and South Europe (an average of 10 percent of the volume of gas transported) Czechoslovakia was able to more than double the overall volume of gas imports during the 1976 to 1980 period. The natural gas supplied the CSSR as a result of its implementing the integration measures will amount to more than one-third of the overall increase of the CSSR energy resources in the Sixth Five-Year Plan.

Continued intensification of cooperation by CEMA member states in the industrial sector of fuels and raw materials includes in practice, for example, direct deliveries of goods destined for joint construction projects and the exploitation of respective resources, but at the same time also calls for examination of other potential forms of mutually beneficial cooperation. At the 30th CEMA Plenum CSSR Prime Minister L. Strougal demonstrated that from the Czechoslovak viewpoint the advantages arising from integration measures can be compensated for also in other ways, for example by the establishment and development of manufactures of comparable investment outlay, capital and foreign exchange expenditures needed for the purchase of production equipment, licenses and development of a corresponding material base. This concerns especially the construction and development of capacities for the production of nuclear power plant equipment, the production of

tubing for special purposes, compressor stations, rolling mill installations, chemical manufactures and many other forms of technological equipment. Deliveries of products carried out on this basis must be viewed as equivalent to deliveries of fuels, energy, raw materials and supplies.

The long-term target program of cooperation in the field of energy, fuels and raw materials will be based on scientific studies, and on the potential use of new energy resources. In the current five-year plan, for example, scientific and research work is under way on a broad set of themes beginning with problems connected with nuclear power, energy conversion, and the use of solar power, all the way to finding the most efficient methods of utilizing solid and liquid fuels. The implementation of this program will be funded by some 440 million rubles with the CSSR proportion amounting to 80 million rubles. In addition, the preparation of a scientific and technical forecast for resolving fuel and energy problems till the year 2000 is being planned.

Of particular importance for Czechoslovakia is energy conservation and the efficient utilization of fuels and energy. The point is that despite the relative reduction of primary energy resource consumption, the energy efficiency of the Czechoslovak national economy still lags behind that of some other economically advanced countries.

Within the framework of implementing the state rationalization program of fuels and energy consumption in the CSSR, the primary tasks are increasing the efficiency of electrical appliances and exploiting the possibilities offered by cogeneration, especially in the metallurgical and chemical industries, producing more advanced lighting fixtures, etc.

Of great importance in this connection is the resolution of the 34th CEMA Plenum (June 1980) on enlarging cooperation in providing mining and fuel consuming industries with up-to-date, economical and highly efficient equipment. The general agreement ratified during the plenary session aims at considerably improving oil processing by introducing more advanced technologies through specialization and cooperation in the production of equipment used in special oil processing procedures. Implementation of the agreement reached with the Soviet Union on specialization and cooperation in the chemical industry stipulating that the CSSR concentrate on the production of less energy-intensive manufactures (dyes, some types of chemical additives and glass fibers) and pay with these products for Soviet deliveries of energy-intensive chemical products (nitrogen fertilizers, high-pressure polyethylene and methanol) will help the CSSR raise the energy efficiency of its chemical production.

Since external factors have a considerable impact on the structure of energy resources in the CSSR, some concepts held till now regarding the necessity of increasing steadily the proportion of crude oil and natural gas in the country's energy balance are being revised. Procuring these fuels on foreign markets is becoming increasingly difficult due to the unfavorable price developments which force a steady reduction of the oil consumption growth rate to levels below those previously planned. In the future, crude oil is expected to be used primarily in the petrochemical industry and the production of fuels and natural gas for

technological purposes. By the end of the eighties the mining of known CSSR fuel coal deposits will reach its peak resulting in the rapid depletion of the coal deposits. The limited domestic fuel and energy resources, as well as the limited possibilities of importing them, combined with the necessity to protect the environment, emphasizes the necessity of the Czechoslovak orientation towards the accelerated development of nuclear power. With help from Soviet specialists the CSSR has built its first 800 MW V-1 nuclear power plant at Jaslovske Bohunice. The CSSR is in the process of building a 1760 MW V-2 nuclear power plant at Dukovany and is preparing to build a nuclear power plant with four 440 MW reactors in the area of Mochovce. The first V-1 nuclear power plant unit has generated 3.5 billion kWh power since its start in 1979; this amount of power, converted to coal, is equivalent to the consumption of approximately 3.5 million tons of brown coal. As a result the proportion of nuclear power in the structure of the CSSR fuel and energy balance rose to approximately 4-5 percent (with more than 60 percent solid fuels, in excess of 30 percent crude oil and natural gas, and approximately 3 percent hydroelectric power). While imports of energy resources, primarily of crude oil and gas are increasing, also relatively, the growth rate is slowing down and the proportion of imports necessary to meet the increased fuel and energy requirements is decreasing. In developing the CSSR fuel and energy base the main emphasis is on the use of domestic resources, primarily solid fuels and nuclear power. The proportion of domestic production of the increase in fuel and energy resources, which in the 1971 to 1975 period amounted to 6 percent, will increase to one-third in the Sixth Five-Year Plan. In 1985 nuclear power generation is expected to reach 16 percent, and in 1990 it will be in excess of 30 percent of overall consumption.

In accord with the long-term program of cooperation, by 1990 CEMA countries envision the construction of nuclear power plants generating a total of 37,000 MW which, with the normal operating load of these plants, will represent a saving of around 70 million tons of standard fuel. By its participation in the construction of the Chmelnice nuclear power plant with an overall generating capacity of 4,000 MW on USSR territory Czechoslovakia will secure for its national economy power deliveries beginning in 1984 which from 1988 on will amount to 3.6 billion kWh annually.

By 1990, based on current conditions, Czechoslovakia expects to bring into operation nuclear power plants with an overall capacity of at least 7,280 MW. Ratification of the multilateral agreement on specialization and cooperation in the production and deliveries of equipment for nuclear power plants till 1990 at the 33rd CEMA Plenum in June 1979 constituted an important step in this direction. In accord with this agreement the CSSR will produce for the requirements of its national economy and for export mainly basic equipment such as reactors, steam turbines and volume compensators. Developing equipment needed in the construction of nuclear power plants is among the most important structural changes the Czechoslovak engineering industry has undergone. This development represents a highly complicated vast capital and financing program which the CSSR is able to implement in a relatively short time span only within the framework of international socialist division of labor and in close cooperation with the Soviet Union. Implementing the envisioned CEMA nuclear power plant construction program obligates Czechoslovakia to establish large-scale production capacities for

nuclear power plant installations, modernize its engineering industry and participate actively in multilateral production and scientific and technical cooperation in the industrial sectors involved. As a result Czechoslovakia will become the second country after the USSR which as early as in the Sixth Five-Year Plan will master both the production process involved in building nuclear power plant reactors and most of the new equipment required by the complicated technology. The agreements concluded obligate the Skoda branch enterprise to produce by 1985 21 VVER-440 reactor units required both for export and by the Czechoslovak nuclear power plant construction program. The Sigma enterprise is in the process of mastering the production of the special armature and the circulation tubing used in the VVER-1000 reactor types and is beginning to solve problems arising in the production of reactors operating on the fast neutron principle.

This is an important Czechoslovak contribution to resolving the fuel and energy problem within the CEMA community because a considerable proportion of this production will be exported to other socialist countries for the establishment of their nuclear power plants. On 18 June 1980 a cooperative agreement was concluded between the USSR and the CSSR for developing the nuclear power plant construction industry till 1990. The program stipulates the adoption of specific measures to intensify cooperation in developing the production of nuclear power plant equipment in both countries by specialization and cooperation, and the joint solving of scientific and technical problems posed by nuclear technology also in the construction of nuclear power plants in the CSSR with the technical assistance of the Soviet Union. In this way one of the most advanced industrial branches--nuclear engineering--was established in the CSSR by cooperation with the USSR and the other CEMA member states. The CSSR thereby became one of the 10 most advanced industrial countries in the world, capable of producing complete generating installations for nuclear power plants. Participation in socialist economic integration, especially with the Soviet Union, enables the CSSR to resolve its fuel and raw material problem efficiently, which in turn creates favorable prerequisites for the planned establishment of a fuel, energy and raw material balance in the CSSR. Implementation of the joint measures adopted by CEMA member states contained in their long-term program of cooperation in the field of energy, fuels and raw materials results in the improvement of efficient exploitation of national labor and material resources which in turn raises the efficiency of national production in each individual member state and collectively in the CEMA community.

8664

CSO: 2400

FINANCE MINISTER EXPLAINS RESULTS OF FINANCIAL POLICY

Prague HOSPODARSKÉ NOVINY in Czech 4 Jan 81 pp 1,4

[Article by Engr Leopold Ler, CSc, CSSR minister of finance: "Results of Financial Policy"]

[Text] Financial policy during the Sixth Five-Year Plan was based on the requirements of party economic policy and tasks set by the 15th CPSU Congress. The successful results of development of the national economy during the previous Fifth Five-Year Plan and increasingly complex internal and external conditions of development since the mid-1970's were the basis for the formulation of tasks of economic policy, including financial policy. A more effective use of finance, price and wage tools occupies an important place in the entire process of improving the management system. The increase in economic efficiency and promotion of effective growth cannot be achieved without an active utilization of value relationships according to the plan; it is necessary to weigh the effects of every economic decision and consider the relationship between costs and results.

Financial policy during the Sixth Five-Year Plan focused on qualitative aspects, on questions of efficiency and economy. It was based on the necessity of increasing the influence of khozraschet relations, finance and credit on the production increase, and on the requirements of improving the qualitative indicators of management, reducing the nonproductive costs and losses, and uncovering reserves.

Continuity, Not Repetition

The ultimate criterion of the successfulness of financial policy will be to an ever larger extent how effectively we succeed in increasing the share of intensification factors in economic growth, particularly the share of science and technology, integration in the international division of labor, profitability of international commodity exchange, reduction of material and financial cost of the national income, and how effectively we practice economy in all areas of our social life. Financial policy during the Sixth Five-Year Plan continued everything that proved effective in the successful fulfillment of the Fifth Five-Year Plan. However, this was continuity, not a simple repetition. Its goal--to actively contribute to the economic development--was not easy to attain under the more difficult conditions, both internal and external. For this reason the previous positive features of financial policy in intentions, methods and tools were creatively supplemented and modified in order to increase pressure and requirements in management of efficiency and economy.

The general tendencies in financial development during the Sixth Five-Year Plan both in the whole and with regard to resulting discrepancies between resources and needs essentially reflected the development in the area of material relations and the problems accompanying economic development and their solution.

During the entire five-year period, the state plan, the state budget and the currency plan were compiled every year in a way that was in the greatest harmony with the conceptions and underlying intentions of the five-year plan. We were able to eliminate partly, but not completely, the resulting unfavorable influences. One of the principal reasons was the fact that the targets were not met, and as a result not only material, but also financial resources produced were smaller than anticipated by the five-year plan. This exercised strong pressure for increasing our imports from foreign countries.

In the last 2 years, the increasing complexity of internal and external conditions, and to a certain extent also the limited flexibility of management and economic mechanism were reflected in the lower growth rate of the national income. The consequences were reflected also in divergences in the use of the national income as well as in the greater utilization than originally anticipated of foreign resources which were necessary for financing economic development. The situation was further aggravated by poorer grains crops, nonfulfillment of the plan of engineering exports to the capitalist markets and additional deterioration of the relationship between export and import prices, because the prices of raw and industrial materials, commodities and machinery continued to increase. Last but not least, the situation was aggravated also by the already mentioned unsatisfactory results in efficiency increase.

Counteracting Unfavorable Factors

In the course of the five-year plan the government and central organs reacted to the more complex economic conditions by adopting a number of measures. Their purpose was to eliminate, or at least alleviate, the influence of those factors which adversely affected the continuity and proportionality of development of the national economy. The main emphasis was laid on the implementation of those measures which, in accordance with the conception of the Sixth Five-Year Plan, actively contributed to the solution of existing problems. At the same time, restrictive, administrative measures were enacted in accordance with the specific conditions.

In view of the importance of counteracting the unfavorable tendencies in the development of external economic relations, the state plan set mobilizing export tasks both at wholesale and foreign prices for individual years of the five-year plan: the increases in imports as measured in material units were reduced, while the allocation of foreign exchange by the bank for financing of noninvestment imports was made dependent on the fulfillment of planned export tasks. Also the measures designed to make the increases in material incentives dependent upon the fulfillment of export tasks and their greater profitability became an integral part of the comprehensive experiment in efficiency and quality control which started in 1978.

Beginning 1979 the dynamism of investments was reduced and the criteria of their selection were made more strict. The plan assigned appropriate tasks for increasing the share of investments in progressive modernization and rapidly recoverable projects. Attention was paid to the more efficient utilization of capital assets and to increasing the coefficient of the number of shifts worked. Certain measures to this effect were taken in the area of wages.

The import prices of fuels and energy continued to increase, as did the costs of exploitation of domestic deposits. During the five-year plan many tasks were set which were designed to reduce the consumption of gasoline, diesel fuel and fuel oil and lubricants. These measures became gradually more strict--quarterly consumption limits were set and compliance with them was checked. If these limits were exceeded, fines had to be paid. Since 1979 the wholesale prices of fuels and energy have been increasing 2 percent every year, with the proviso that the enterprises have had to absorb these price increases in their costs.

Changes in Criteria of Evaluation

Significant changes were effected in the evaluation of enterprise activities and fulfillment of planned tasks during the five-year plan. In contrast to the previous practice, when in the course of annual analyses only the closing of account books was approved, the overall results of economic activity have to be approved now. The evaluation criteria places a substantially greater emphasis on the compliance with the qualitative indicators and indicators of the production economic structure. On the contrary, it was explicitly stated that gross production does not constitute a criterion of the plan fulfillment in the overall evaluation.

To increase pressure to raise quality of manufactured products, the government enacted several measures in accordance with which the losses caused by inferior production were deducted from the indicators used for management of wage funds (as well as profit).

During the entire five-year plan, the finance and budget policy focused on exerting effective economic pressure to achieve greater efficiency and economy. We used mandatory tasks, limits and other measures for this purpose.

Pressure was exerted for economical use of funds and mobilization of the enterprises' own resources in the fulfillment of planned tasks. On the basis of government guidelines for the 1980 plan, a large set of economy measures was worked out. It was already reflected in the last year's state budget and financial plan. Systematic attention is paid to the fulfillment of all tasks which follow from it (including the application of fines, for example, for nonimplementation of measures designed to reduce automobile traffic).

Indispensable measures which were adopted in the course of the Sixth Five-Year Plan helped, despite aggravated economic conditions, to essentially implement the conception of the economic and social development as outlined in the Sixth Five-Year Plan, although a number of tasks fell short of the goal. This

resulted from the fact that the effectiveness of adopted measures varied. Measures of a restrictive nature were relatively better implemented, while the solution of some long-term problems, such as investments, scientific and technological progress, foreign trade, and great material and energy consumption in the production sector was slow and did not correspond to contemporary needs.

It is definitely encouraging that we achieved a fiscal balance as planned during the 1976-1980 period. The continuity of financial policy proved justified with regard to the emphasis on higher efficiency, greater economy and improved quality of all work. The ultimate national economic results underline the importance of increased production of financial resources on the basis of higher efficiency and optimum redistribution of these resources in accordance with the planned needs. Last, but not least, it is necessary to use resources effectively and economically in financing of expanded reproduction.

Actual Revenues and Expenditures of CSSR State Budgets During 1976-1980 Period (billion Kcs)

	1976*	1977	1978	1979	1980**
Revenues	224.4	238.7	243.0	249.9	257.7
including:					
Payments by economic organizations	102.7	105.5	108.6	108.1	107.1
Turnover tax	61.2	64.5	70.2	74.7	79.4
Expenditures	224.1	238.4	242.8	249.9	257.7
including:					
Investment projects	28.0	33.5	27.5	28.3	26.8
Noninvestment expenditures on cultural and social establishments	62.8	65.5	67.3	70.9	77.9
Surplus	0.3	0.3	0.2	--	--

* under economic conditions of 1977

** expected reality

Cost and Profit

Not all targets underlying the conception of financial development were met in the economic sphere. The approximately 1.7 percent reduction of production costs in state economic organizations in 1980--as compared with 1975--was below the 3.1 percent reduction anticipated by the five-year plan. With the exception of depreciation allowances on fixed assets, all types of costs and particularly wages accounted for the failure to reduce the relative level of production costs.

In agriculture, while wage costs declined, material costs increased relatively rapidly. This situation was caused in part by the increasing intensification of agricultural production and replacement of human labor by equipment. In the building industry, material costs apart from depreciation allowances and particularly material consumption increased at a higher rate than the total output.

This relative overage in planned costs was the main reason why profit as the synthetic indicator of efficiency was complied with only 94.4 percent during the 1976-1980 period. Nevertheless, profits increased by almost 50 percent and the profit-cost ratio by approximately 21 percent during the five-year plan. This increase was smaller than anticipated and this necessarily affected the dynamism of production of financial resources and the possibilities of their use. Moreover, the fiscal balance could be achieved only with additional imports above the plan and budget cuts in expenditures on population's welfare. Nevertheless, the social consumption funds accounted to an ever greater degree for the satisfaction of population's overall needs; social consumption amounted to Kcs 570 per Kcs 1,000 of earned income last year. Expenditures on schools, culture and health care continued to increase relatively rapidly.

The financial contribution of economic organizations to societywide purposes was reflected in the difference between the volume of resources produced, that is profits, depreciation allowances and other resources, and total costs of their production (that is particularly capital outlays, inventories and allocations to the noninvestment funds). The relationship between their actual needs and resources, that is the costs of their development, represented on the average 79.8 percent during the 1976-1980 period. In other words, these costs were relatively high. They reflected particularly the effect of smaller production of resources and nonfulfillment of tasks set for more economical handling of inventories. Our financial policy aims at consolidating the relationship between the resources and needs of the khozraschet sphere as well as at making their further development dependent upon the resources produced by them. Only by being consistent in this respect will it be possible to satisfy the future needs of our society and of social consumption in particular.

The share of the state budget in the national income remained approximately the same during the Sixth Five-Year Plan. Gradually, however, the idea developed of establishing closer ties between the state budget and khozraschet. An important khozraschet principle which the "Set of Measures" contains is the interdependence between production and the use of financial resources. This principle constitutes also the basis for increasing the share of the VUH's [economic production units] and the enterprise's own resources, particularly profits, in financing their planned needs. This increase will amount to approximately 4 percentage points in all economic organizations, but will reach as much as 10-12 percentage points in selected industrial sectors. To strengthen the organizations' own resources, reductions of levies on profit amounting to Kcs 5.1 billion will be granted. On the other hand, the subsidies from the state budget will be reduced by approximately 25 percent (or by approximately Kcs 6.3 billion in comparison with 1980). The share of subsidies in financing of investment projects, for example, will be reduced from 18.2 percent in 1980 to 13.9 percent this year.

This measure means that in financing of economic needs the scope of redistribution of financial resources through the state budget will be reduced. This will result in the increased jurisdiction and responsibility of VIL and economic organizations for the effective and smooth financing of the reproduction process. In other words, in broader economic contexts this will provide for an increased share for the domestic economy in financing of needs and gradual reduction of need of foreign resources which in turn will call for a substantial increase in the profitability of commodity exchange with foreign countries.

State Budgets

The role of state budgets underwent a significant change in the course of the Sixth Five-Year Plan: in contrast to the previous period, no surpluses, but only balanced budgets were planned with the necessary financial reserves linked to the reserves in the state plan. The emphasis was placed on the mobilization of potential reserves in financial administration and management. This principle of budget policy was reflected in the effort to achieve an actual balance of budget revenues and expenditures whose prerequisite is achieving better results in economic organizations.

We must realize that under demanding economic conditions the balancing of budgets was not easy. In a number of sectors of the national economy it was necessary to overcome the difficulties related either to the general situation in external economic relations or to some internal economic problems. Nevertheless, the development of our economy continued.

The slower increase in budget revenues necessitated also lower dynamism of expenditures, particularly in noninvestment needs. The lower production of actual financial resources in comparison with the budget estimate was reflected to approximately 90 percent in the budget sphere--in its lower investment and noninvestment expenditures.

The fundamental precondition of real balance of budgets is particularly the achievement of better results by economic organizations. Not all intentions and tasks underlying the conception of the financial development were implemented last year, the last year of the Sixth Five-Year Plan. The contribution of higher efficiency to the increased formation of financial resources was smaller than anticipated by the plan particularly in regard to the share of total costs in the profit increase. It is encouraging, of course, that material consumption decreased in accordance with the plan's intentions. On the other hand, the use of financial resources showed deviations in the development of inventories and investment projects. Due to the slowdown in the inventory turnover in industry and the building trade, more financial resources were tied up than anticipated. On the other hand, the subsidies from the stated budget for investment projects were not used in the planned scope.

We expect that the administration of the 1980 state budget will result in a balance between revenues and expenditures which certainly is a positive feature of our economic development. In view of the deviations from the planned structure of revenues and expenditures and continued imbalance of our payments to foreign countries, however, we do not overestimate this result.

Future Goals

The orientation of our finance policy in 1981 is based on the conception of economic policy which, in accordance with the resolutions of the 18th CPCZ Central Committee Plenum and government guidelines on the Seventh Five-Year Plan, focuses on the solution of problems which are of key importance to further development of our economy.

In his concluding statement to the 18th CPCZ Central Committee Plenum, Comrade Gustav Husak stated that "In the upcoming period we face two closely inter-linked fundamental tasks. In the first place, there is further development, further increase in efficiency of our economy as the precondition for maintaining and raising the already high standard of living of our people and consolidation of its social securities. In the second place, there is systematic political education." Accordingly, the principal goal of our financial policy during the Seventh Five-Year Plan is the increase in efficiency of our entire financial system, financial and economic tools and rules of management within the implementation of the "Set of Measures for Improving the Planned Management System of the National Economy."

The changes which are being carried out aim at higher ultimate national economic effects. Apart from exerting economic pressure in the form of assigning tasks in accordance with the plan and state budget, the methods designed to increase efficiency leave more room for the fuller application of *khozraschet* principles. More emphasis is placed on material incentives which we link more than in the past to the fulfillment of tasks aimed at increasing efficiency of production and foreign trade, and satisfaction of society's needs in the planned structure.

During the entire past period we observed in budget policy the principle of balance between the revenues and expenditures of the state budget. We want to continue this policy during the Seventh Five-Year Plan. It is, however, the overall financial balance between resources and needs, including our relations with foreign countries, which is of key importance to the entire national economy. We therefore proceed from the premise that the balanced budget, based on higher efficiency and economy, is absolutely indispensable for achieving an overall financial balance. Increases in the state budget expenditures must be adjusted to the real possibilities offered by the dynamism of financial resources and budget revenues.

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1978-1979 FERTILIZER APPLICATION IN CSSR SUMMARIZED

Prague STATNI STATKY in Slovak No 11, Nov 80 pp 242-245

[Article by Eng Stefan Kocian, Kraj office, Slovak Statistical Administration, Bratislava: "The Scope and Intensity of Fertilization on CSSR State Holdings in 1978 and 1979"]

[Text] High efficiency and work quality are our party's strategic line in economic policy. In the present stage of our society's development, the qualitative aspects of increasing output are also urgently coming to the fore in agriculture, where considerable latent potential exists for efficiency and quality. This potential must now be used more decisively at all levels of party, state and operating management.

One of the main factors in increasing yields per hectare is increased application of chemical and organic fertilizers. The effectiveness of their utilization is attested to by the following data. While crop production amounted to nearly 22 korunas per kilogram of net fertilizer nutrient in the Third Five-Year Plan, and over 20.35 korunas in the Fourth Five-Year Plan, during the Fifth Five-Year Plan the figure fell to Kcs 17.68.

No basic improvement occurred during the Sixth Five-Year Plan, as a result of worsened climatic conditions. One of the main causes of this situation, especially in the first years of the current [sixth] five-year plan, was a low level of use of organic fertilizers in the enterprises and a low level of application of chemical fertilizers and agrochemicals.

In order to ascertain the current situation and trends in the use of organic and chemical fertilizers in Czechoslovakia's agriculture, the state statistical organs organized a selective determination of fertilizer use in 1978 and 1979 according to the main crops. This investigation applied to all state holdings and a selected group of cooperatives throughout Czechoslovakia.

Table 1 gives a survey of the scope of fertilization of cultivated land in state holdings in both republics during 1978 and 1979. It can be deduced from the data presented that nationally the scope of fertilization with manure is expanding, while the figure is remaining at almost a constant level for chemical fertilizers. It should also be noted that the average annual increase in manure fertilization as a percentage of all fertilization is greater in state holdings in the CSR than in the SSR.

Table 1 Extent of fertilization of cultivated land on state holdings in Czechoslovakia in 1978 and 1979.

Úroveň vyhnojování obhospodávané půdy na státních majetkách v ČSSR v letech 1978 a 1979

Tabuľka 1

Plodina	b Vyhnojens plochy z celkovej výmery v %											
	c maľajnym hnojom						d priemyselnými hnojivami					
	e CSSR		f CSR		g SSR		h CSSR		i CSR		j SSR	
	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979
e Obilniny	5,3	6,6	4,1	5,4	8,9	10,4	98,8	99,0	98,7	98,8	99,3	99,4
f Zemiaky	96,7	95,2	98,2	96,0	93,2	93,3	99,3	98,5	99,0	99,5	100,0	96,2
g Technické okopaniny	96,9	91,4	96,2	91,1	97,5	92,1	99,9	98,7	99,9	98,4	100,0	99,6
h Spolu	13,8	14,9	14,0	15,3	13,3	13,9	91,0	91,0	92,8	93,2	86,2	85,2

Key:

- | | |
|--|--------------------|
| a. Crop | e. Grains |
| b. Percentage of total area fertilized | f. Potatoes |
| c. With manure | g. Technical crops |
| d. With chemical fertilizer | h. Total |

Tendencies differ for individual crops. While there was a decrease in manure fertilization of areas planted to technical crops in both republics and the figure for potatoes remained at about the same level, the share for grains increased, especially in the SSR. The majority of manure fertilizer is used on technical crops and to a lesser extent on grains, particularly rye.

The scope of application of chemical fertilizers on state holdings in the CSR during the period studied increased by 0.4 percent, primarily owing to increased use on potatoes, while in the SSR it decreased by 1 percent, because of a decreased application to technical crops and potatoes.

From the results of this investigation it is clear that the cooperative sector is applying farmyard manure over larger areas every year, accounting for 16.8 percent of cultivated land in the CSR last year and 14.4 percent in the SSR. There is a similar tendency in the case of chemical fertilizer, which last year was applied to 93.1 percent of cultivated area in united agricultural cooperatives, with a breakdown of 95.6 percent of the area in the CSR and 89.8 percent in the SSR.

Table 2 makes it possible to judge the intensity of fertilizer use and the yields per hectare achieved for individual crops.

In the CSR, between 1978 and 1979 there was an increase in use of chemical fertilizers per hectare of the area surveyed for 12 crops, including an increase to 257 kg of net nutrient last year [1979] from an initial 250 kg in the case of grains. The greatest increase was posted for grain corn: up by 42 kg to last year's figure of 377 kg. The greatest fertilization intensity in the CSR is for sugar beets, vegetables, hops, grapes and potatoes and the lowest for perennial grasses, gardens and orchards, and textile crops. The largest applications of organic fertilizers were used in the growing of technical crops including grain corn, vegetables, oleaginous crops and crops. Very little attention is given to perennial grasses: an average of about a quarter ton of manure per hectare is applied to them annually.

Table 2. Fertilizer applications and yields per hectare on state holdings in the two republics in 1978 and 1979.

Spotreba hnojív a dosiahnutá úroda na hektár plodín na štátnych majetkoch v oboch národných republikách v rokoch 1978 a 1979

Tabuľka 2

Plodina	a											
	CSR						SSR					
	Spotreba hnojiv na 1 ha b				Hektárová uroda v t e		Spotreba hnojiv na 1 ha b				Hektárová uroda v t e	
	priemysel. v kg č. 2. c		organic. v t d				priemysel. v kg č. 2. c		organic. v t d			
	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979
f Pšenica	284	295	1,0	1,4	3,82	3,00	332	344	1,5	2,2	4,07	3,16
g Raž	250	255	0,7	1,0	2,91	2,63	321	316	1,0	1,2	3,10	2,62
h Jačmeň	224	232	1,3	1,6	3,41	3,13	300	265	0,3	0,4	3,59	3,07
i Kukurica	335	377	9,9	17,0	1,42	4,65	322	351	12,3	12,1	2,72	4,30
k Srukoviny spolu	224	231	7,6	10,0	1,29	0,93	249	234	3,3	12,0	1,10	0,57
l Zemiaky spolu	450	449	41,2	41,0	16,37	16,64	429	434	43,8	42,1	13,62	14,41
m Krmné okopaniny spolu	385	353	34,0	29,6	24,77	21,91	504	476	36,7	36,7	40,98	41,75
n Jednoročné krmoviny	376	385	18,3	17,9	25,17	31,42	355	364	13,1	11,8	33,14	33,62
o Viacročné krmoviny	211	225	0,4	0,4	6,43	6,45	229	227	0,3	0,3	6,47	6,45
p Olejiny	367	394	17,8	21,9	1,87	1,27	355	326	17,8	14,3	1,68	1,17
q Priadné rastliny spolu	228	211		0,1	3,35	2,90	226	204	—	—	1,74	1,48
r Cukrová repa	543	521	38,4	36,9	29,94	30,68	505	486	45,6	44,1	28,69	29,52
s Zelenina spolu	438	453	26,5	28,8	22,10	19,52	502	510	35,2	31,3	15,58	17,48
t Trvalé lúčne porasty	144	164	0,7	0,2	2,88	3,05	157	149	0,6	0,5	3,06	2,76
u Pastviny	129	151	0,2	0,3	2,03	2,18	73	78	0,4	0,2	1,40	1,31
v Sady a záhrady	162	155	0,3	0,4	—	—	176	169	2,7	1,9	—	—
w Chmelnice	462	472	15,7	19,2	0,83	0,97	578	549	45,4	19,1	0,58	0,71
x Vinice	455	443	2,7	4,2	3,92	3,79	598	555	14,6	12,4	4,54	3,33

Key:

- | | |
|--|----------------------------|
| a. Crop | m. All root feed crops |
| b. Fertilizer used per hectare | n. Annual feed crops |
| c. Chemical, kilograms of net nutrient | o. Perennial feed crops |
| d. Organic, tons | p. Oil crops |
| e. Yield per hectare, tons | q. All textile crops |
| f. Wheat | r. Sugar beets |
| g. Rye | s. Total Vegetables |
| h. Barley | t. Perennial meadow growth |
| i. Corn | u. Pasturelands |
| k. All beans | v. Gardens and orchards |
| l. All potatoes | w. Hops |
| | x. Grapes |

Owing to the worsened climatic conditions there was not a direct relationship between yield per hectare and the trend toward applying large amounts of organic and chemical fertilizers. A direct relationship showed itself most clearly in the case of grain corn, annual feed crops and textile crops. Although fertilizer applications to densely sown grain increased, yields per hectare showed the opposite tendency. The situation was similar for beans, oil crops and vegetables.

Chemical fertilizer consumption on state holdings in the SSR increased for 5 of the 18 crops or groups of crops surveyed, remained at almost the same level for one, and decreased in the remaining cases; the decrease was 35 kg net nutrient for barley, 28 kg net nutrient for feed crops, and as much as 43 kg net nutrient in vineyards. More than half a tons of chemical fertilizer is used per hectare in growing vegetables, hops and grapes. As in the holdings in the CSR, the smallest applications were given to perennial grasses. While there were no significant differences between the two republics in meadows, grazing lands in the SSR received the fertilizers in question at about half the rate recorded for the CSR. This fact manifests itself in the quantity of hay produced per hectare, which was 2.2 tons in the CSR and a third less in the SSR.

In the use of manure, essentially the same situation prevailed in state holdings in Slovakia as in the CSR, except in the case of vineyards, which receive as much as triple the application [in the SSR].

Even though the use of fertilizer is one of the main factors intensifying crop production, the attainment of higher yields per hectare is the result of a number of factors, beginning with the precursor crop, the quality of plowing and the plant variety, and ending with the harvesting. With the exception of six crops (wheat, root crops for fodder, annual feed crops, sugar beets, pasturage and hops), all of the crops showed changes in yield per hectare from 1978 to 1979 commensurate with the trends in use of industrial fertilizers. For example, there was a decrease in application of chemical fertilizer per hectare for rye, barley, wheat, beans, oil plants and others, accompanied by a drop in yield. The opposite trend occurred most prominently in the case of grain corn, vegetables and sometimes potatoes. For wheat, in spite of 3.6 percent increase in net nutrient application to 344 kg/ha, the yield per hectare decreased by 22.4 percent. The intensity of use of chemical fertilizers on sugar beets decreased by 3.8 percent (i.e. by 19 kg) between 1978 and 1979 while the yield per hectare increased by 3 percent. These examples confirm the statement made above that although chemical fertilizers are an extremely important stimulus to increased crop production, they are in a dialectic relationship to the other factors.

Comparing state holdings in the two republics as regards the scope of fertilizer application or the yield per hectare for the crops investigated, we may state the following: the SSR is applying larger quantities of chemical fertilizers than the CSR to densely-seeded grains and also to feed crops, vegetables, gardens and orchards, hops and vineyards; in the case of organic fertilizers, in addition to the abovementioned crops (excepting barley), beans, potatoes, sugar beets and meadow grass should also be mentioned. However, state holdings, in Slovakia show higher yields than those in the CSR only in the case of wheat, root feed crops and annual feed crops.

The yields per kilogram of net nutrient also indicate the effectiveness of the use of chemical fertilizers in crop production. The data in Table 3 indicate the situation in the state holdings in both republics. Outputs are about the same in the two republics for grain corn, perennial feeds and meadowlands. If we examine the other factors affecting yields per hectare, Slovak state holdings produced less grain, beans and potatoes per kg of net nutrient than holdings in the CSR and achieved better results during the years studied for root feed crops, annual feeds, oil crops, sugar beets and pastureland.

Table 3. Effectiveness of chemical fertilizers on state holdings in CSR and SSR in 1978 and 1979.

Efektívnosť použitia priemyselných hnojív na štátnych majetkoch ČSR a SSR v rokoch 1978 a 1979

Tabuľka 3

Plodina	a	na 1 kg čistých živín sa vyrobilo produkcie v kg				b
		ČSR		SSR		
		1978	1979	1978	1979	
c Obiloviny spolu		13,4	11,4	11,3	10,3	
d z toho: pšenica		13,4	10,2	12,3	9,2	
e raž		11,6	10,3	9,7	8,3	
f jačmeň		15,3	13,5	12,0	11,6	
g kukurica		4,2	12,3	8,3	12,2	
h Strukoviny spolu		5,6	4,0	4,4	2,4	
i Zemiaky spolu		36,4	37,0	31,7	33,2	
j Kŕmne okopaniny		64,3	62,1	81,3	87,7	
k Krmoviny: jednoročné (v zelenom stave)		66,9	81,6	93,4	92,4	
l viacročné (v suchom stave)		30,5	28,7	28,3	28,4	
m Olejníny		5,1	3,2	4,7	3,6	
n Cukrová repa		55,2	58,9	56,8	60,7	
o Lúky		20,0	18,6	19,5	18,5	
p Pásienky		15,7	14,4	19,2	16,8	

Key:

- | | |
|---|----------------------------------|
| a. Crop | i. Total potatoes |
| b. Output in kilograms per kilogram of net nutrient | j. Root feed crops |
| c. Total grains | k. Feeds: annual (as green mass) |
| d. Wheat | l. perennial (dry) |
| e. Rye | m. Oil crops |
| f. Barley | n. Sugar beets |
| g. Corn | o. Meadows |
| h. Total beans | p. Pasturelands |

The cooperative sector had an output of 14.8 kg per kilogram of net nutrient in chemical fertilizers nationwide in 1978 and 12.6 kg the next year, 2 kg and 1 kg greater, respectively, than for state holdings. In 1978 the differences between the sectors compared were greater than in the subsequent year. In 1978 cooperatives produced 44.2 kg of potatoes and 64.8 kg of technical crops per kilogram of net nutrient.

In the SSR the differences between the sectors were less for grain and greater for technical crops than in the CSR. Finally, holdings in the SSR achieved a greater yield of potatoes per kilogram of net nutrient than the cooperative sector.

In the CSR the cooperatives had a grain yield of at least 3 kg per kilogram of net nutrient more of grain than the state holdings, and yields of 60 kg more of technical crops and 40 kg of potatoes per kilogram of net nutrient, thus surpassing the state holdings by more than a sixth.

However, it must be borne in mind during this comparison that the cooperatives are operating on fundamentally better soil and in more favorable climatic conditions, and have a better material and technical base.

Nonetheless, it must be admitted that the current level of fertilizer use is not the optimum in either sector. There is still considerable latent potential. The leading state holdings and cooperatives are achieving fundamentally higher effectiveness. In this year of record grain production the entire West Slovak Kraj attained a figure of 16 kg of grain per kilogram of net nutrient with chemical fertilizers, and Dunajská Streda Okres, where 4 state holdings also operate, posted a figure above 22 kg. But these results require persistent and systematic work by agronomists year round.

If we consider the proportion of fertilized lands in the state sector by kraj (Table 4), it turns out that the Central Bohemian and West Slovakian krajs have the largest percentages (above 18 percent) for manure; the North Bohemian Kraj has the lowest figure in the CSR (13.2 percent) and the Central Slovakian Kraj the lowest figure the SSR (11.4 percent).

Table 4. Percentage of fertilization and average application per hectare on state holdings by kraj, 1979.

Podiel vyhnojovania a priemerná spotreba hnojív na 1 ha na štátnych majetkoch podľa krajov v roku 1979

Tabuľka 4

Územie - kraj	a	% hnojenia pôdy		Spotreba hnojív na 1 ha					c	
		maštal. hnojom	priem. hnojiv	priemerných v kg č. z.				maštal. hnojiv		
				spolu	z toho					
					N	P	K			
		d	e	g					f	i
j Stredočeský		18,3	95,0	289	105	74	110			6,9
k Juhočeský		16,3	98,0	236	96	81	59			5,4
l Západočeský		15,0	90,9	258	105	71	82			5,5
m Severočeský		13,2	88,9	241	105	75	61			5,1
n Východočeský		15,9	92,6	260	99	71	90			6,6
o Juhomoravský		16,2	95,8	265	105	70	90			6,0
p Severomoravský		13,7	96,2	266	101	80	85			4,6
ČSR		15,3	93,2	260	103	74	83			5,7
q Západoslovenský		18,1	93,4	290	98	73	119			5,9
r Stredoslovenský		11,4	78,2	195	71	54	70			4,1
s Východoslovenský		12,5	84,3	231	79	69	83			4,8
SSR		13,9	85,2	238	83	65	90			4,9
ČSSR		14,9	91,0	254	97	72	85			5,4

Key:

- | | |
|--|---------------------|
| a. Area, kraj | j. Central Bohemian |
| b. Percentage of land fertilized | k. South Bohemian |
| c. Fertilizer applied per hectare | l. West Bohemian |
| d. Manure | m. North Bohemian |
| e. Chemical fertilizer | n. East Bohemian |
| f. Chemical fertilizers, kilograms of net nutrient | o. South Moravian |
| g. Total | p. North Moravian |
| h. including | q. West Slovakian |
| i. Manure, tons | r. North Slovakian |
| | s. East Slovakian |

The most intensive soil fertilization in 1979 was achieved by the state holdings in the Central Bohemian Kraj, where an average of more than 6 tons of manure was applied to all of the cultivated area. The same figure was also achieved by state holdings in the South Moravian Kraj and was approached by the state holdings in Western Slovakia. The state holdings in the Central Slovakian Kraj are far behind, being a fourth lower than the national average. However, this is caused by the large percentage of meadows and pasturelands and the relatively low intensity of cattle raising. The smallest applications of manure per acre in the CSR occur in the state holdings in the North Bohemian Kraj, although this is 1 ton higher than in the Central Slovakian Kraj.

Chemical fertilizers are used on almost all types of crops, although with different intensity and composition. In the sector monitored, they are used to fertilize from 78.2 to 98 percent of lands in the various krajs. The lowest percentage is in the case of state holdings in West Slovakian and especially Central Slovakian krajs. The same situation occurs in average consumption of chemical fertilizers per hectare of agricultural land. The largest quantities are used by state holdings in the West Slovakian and Central Bohemian Krajs and the smallest, a third lower, in the Central Slovakian Kraj. The Czech krajs use greater quantities of nitrogen and phosphorus fertilizers, and relatively less potassium fertilizers than the Slovak krajs.

Expenditures on the purchase and application of industrial fertilizers represent a major proportion of total outlays. The different levels of consumption of these fertilizers per hectare of cultivated soil in the state holdings in the individual krajs do not have a decisive effect on expenditure levels; but the decisive factors are perhaps the composition and concentration of the fertilizers, the application method and the terrain configuration. In the Central Bohemian Kraj, for example, where the average fertilizer consumption on state holdings was 289 kg of net nutrient per hectare last year, expenditures on procuring and applying fertilizers were Kcs 1,108, while in the South Bohemian Kraj, which consumes 23 kg less per hectare, the expenditure per hectare was Kcs 1,186. While consuming 265 kg net nutrient in chemical fertilizers, South Moravian Kraj had an expenditure of Kcs 947, while North Moravian Kraj, which posted a consumption 1 kg higher, had outlays amounting to Kcs 1,076 per hectare. The state holdings in Central Slovakian Kraj had the lowest absolute expenditure for procurement and application of fertilizer (Kcs 790) because of the low intensity of use of chemical fertilizers. East Slovakian Kraj last year spent Kcs 827 per hectare and the state holdings in West Slovakian Kraj had an average consumption a fourth higher, but their expenditures were 31 percent higher.

Another interesting insight can be obtained by surveying purchase and application expenditures per kilogram of chemical fertilizer in terms of net nutrient content. In general it can be stated that the higher the average consumption per hectare, the lower the consumption per kilogram of chemical fertilizer used in relative terms. This must not be applied in all cases, however. Even here there may be deviations resulting from differences in the compositions of the individual fertilizers used, different concentrations and different methods of applying them to the soil. This is clearly the case for the state holdings in the South Bohemian Kraj, which in 1977 spent Kcs 4.09 per kilogram of net nutrient, while those in South Moravian Kraj spent Kcs 3.09, those in the West Slovakian Kraj only 2 Kcs 2.84, and those in the Central Bohemian and West Slovakian Krajs Kcs 3.28. Nationwide, state holdings spent Kcs 3.30 per kilogram of net nutrient in chemical fertilizers, which is 3 hellers higher than for the cooperative sector.

There are also considerable differences in the expenditures associated with the application of these average amounts of net nutrients. In absolute terms, the greatest sums were reported by state holdings in the South Bohemian Kraj, (Kcs 221 per hectare), West Slovakian Kraj (Kcs 170) Central Bohemian Kraj (Kcs 160), East Bohemian Kraj (Kcs 157), West Bohemian Kraj (Kcs 145), and North Bohemian Kraj (Kcs 143). State holdings in the West Slovakian Kraj had a figure of Kcs 109 per hectare and those in the South Moravian Kraj Kcs 126 per hectare.

The application of 1 kilogram of net nutrient in chemical fertilizer to the soil in the Czechoslovak state farm sector required expenditure of Kcs 0.67 in 1979. The highest level of such outlays was posted by state holdings in the South Bohemian Kraj (Kcs 0.93) and the East Slovakian kraj (Kcs 0.74). In the other krajs, these expenditures ranged from Kcs 0.42 in the South Moravian Kraj to Kcs 0.60 in the North Bohemian Kraj. Because of their better production conditions, cooperatives had lower figures for these expenditures, amounting to Kcs 0.49 for Czechoslovakia as a whole.

Finally we may state that the selective survey of fertilizer consumption in state holdings and cooperatives indicated the current situation and trend in the use of manure and chemical fertilizers and also confirmed that meadows and pastureland are being neglected.

The main precondition for improving the overall effectiveness of industrial fertilizers is a major expansion of the use of organic fertilizers, primarily manure, not only because they increase the degree of utilization of chemical fertilizers, but also because they improve soil structure and accordingly the water regime in the soil. There is great potential for decreasing current fertilization expenditures through correct fertilizer composition and correct application to the soil. Although the fertilizers are not omnipotent in themselves, their suitable selection and utilization within the entire system of agricultural measures will considerably strengthen results.

R480

CSO: 2400

RAW MATERIAL DISCOVERIES, RESERVES IN SLOVAKIA NOTED

Bratislava SMENA in Slovak 27 Dec 80 p 4

[Article by Tatiana Jaglova: "A Successful Five-Year Plan for Our Geologists"]

[Text] Slovakia is a patch of land with villages and towns closely huddled together. It may seem that nothing much is left there to surprise anyone, particularly the geologists, or that the geologist can hardly surprise our public with some exciting information about what is hidden below the surface of the earth. The results of the five-year plan in the sector of the Slovak Geological Bureau, however, have been encouraging and hopeful. Let us mention some successful achievements--our geologists discovered a deposit of natural gas and [gazolina--presumably crude oil] near Lipany with a capacity of 2 billion cubic meters. The geological survey is testing a new deposit of natural gas near Borsky Jur with a capacity of about 3 billion cubic meters. In the area of the Zahorie lowlands in the Kuty gorge about 150 million tons of lignite deposits were discovered. Our geologists discovered through prospecting surveys 10 to 15 million tons of lignite in the Dolina mine (near Velky Krtis), permitting expansion and extension of the mining operations.

Our geologists have good reason to welcome the new year with a smile because they fulfilled their tasks for the five-year plan as early as November and met the plan at a rate exceeding 100 in nearly all indicators. In addition to raw materials for power engineering, which are now the focus of attention in every country, good results were achieved also in geological prospecting for ores and in preparation of the deposits for extraction. In the Sixth Five-Year Plan ore deposits of all types yielded more than 10 million tons. The results of the survey led to the establishment of a new base for mining the deposits at Novoveska Huta. The surveyed impregnated ore mineralization in Liptovska Dubrava shows a potential for expansion of mining operations in that mine. More than 3 million [tons?] have been discovered in new lodes in the western part of the deposit in Slovinky.

Experts of the sector of the Slovak Geological Bureau achieved good results in surveying, researching and preparing iron ores for extraction. About 5 million tons of new iron lode deposits were discovered near Nizna Slana. In Roznava our geologists confirmed a deeply expanded lode with the capacity of about 1 million tons. During the Sixth Five-Year Plan mercury extraction was launched near Velka Studna, and a site of its deposit in Dubnik is now under preparation. We have no reason for pessimism as concerns rare metals--a geological survey is examining a wolfram mineralization site in the Nizke Tatry, and indications of nickel mineralization have been detected in the Spis-Gemer Rudohorie [Ore Mountains].

At present we are interested in every type of raw material that may be produced from our domestic resources, rather than being obtained through import, even though current conditions now make it more difficult for this to be profitable than even 20 or 30 years ago--not only as regards crude oil, natural gas and metals, but also 'mere' minerals. During the Sixth Five-Year Plan our geologists delivered scores of calculations of new mineral deposits in various locations. Let us mention the high-grade perlites in Jastraba near Kremnica with 5 to 8 million tons of deposits which will replace imports of that raw material from the Hungarian People's Republic. A surveyed diatomite deposit near Mociar was opened for exploitation recently for filtration and various other industrial purposes. The situation of kaolinite sands and kaolin deposits is also favorable.

Water is fast becoming an increasingly valuable raw material--the expanding towns and villages are thirsty, and their needs as regards quality and quantity of water are constantly rising. Our geologists achieved good results in their hydrogeological surveys. They located new sources of drinking water in various areas of Slovakia. Potential areas for extraction and utilization of thermal waters were pinpointed. Thus far, waters with thermal output equal to 25 MW have been surveyed in the Danube depression.

The Dionyz Stur Geological Institute successfully completed the five-year plan. Its basic research produced 72 geological maps in the scale of 1:25,000, i.e., 22 more than stipulated in the plan.

The results of the Sixth Five-Year Plan have opened the way to further significant successful ventures in the new Seventh Five-Year Plan where our geologists will be faced with far more demanding and responsible tasks.

9004

CSO: 2400

MINISTER KOWALIK'S DRAFT REGULATION FOR MEAT, BUTTER SALES NOTED

Warsaw TRYBUNA LUDU in Polish 31 Jan-1 Feb 81 p 4

[Report by Adam Kowalik, minister of Domestic Trade and Services:
"Report on the Temporary System for Regulating Sales of Meat and
Butter"]

1. [Text] A broad and lively discussion, lasting since last November, has been the basis for making fundamental modifications in the initial draft of the temporary system of regulation for sales of meat and its products, and of butter.

The major changes are based on:

- Increasing the total amount of butter for distribution in the card system from 1.1 million tons to 1.23 million tons. This was achieved by supplementary imports and by reducing exports, as well as by cutting in half the supplies for public food services and reducing the "safety" reserve.
- Raising the norms for groups of the population where it is particularly important for biological reasons, thus pregnant women, nursing mothers and child.
- Increasing by 0.5 kg the standard for most of those entitled to it, i.e., among others white-collar workers, unemployed but qualified members of the family, pensioners and retired workers.
- Standardizing and somewhat raising the distribution norms on the assumption that they will involve only meat and coldcuts for owners of farms and for so-called "dual-occupation" populace (peasant-workers), including their children.

-- Replacing the initially designed "value" cards by "quantity-assortment" cards, defining the quantitative standards for meat and coldcuts with a division for higher and lower quality and for poultry.

-- Excluding from the card system giblet coldcuts, delicatessen products, meat-vegetable preserves, frozen products, prepared foods and giblets of the so-called class II.

From consultations conducted in a number of factories and other places, and in social and trade union organizations, and with due consideration of practically all remarks and recommendations, it appears that this will be within the limits of the capability of our economy in 1981.

A new variation of the system, preserving the previous main feature, i.e., a just division of what we have irrespective of the level of income and place of residence, guarantees:

-- Firstly, in conformity with the demands, an allotment standard leading to a level defined as an "adequate" nutritional norm, with the norms for young children, nursing mothers and pregnant women being set higher than the adequate level.

-- Secondly, access to the actual kinds of meat and coldcuts desired, adjusting the assortment as far as possible to the specific nutritional needs for age, type of work, etc., and thus eliminating from card allotment the less costly assortments which will remain for sale at will.

-- Thirdly, a supplement to the consumption level by excluding from the card system all forms of collective eating, thus cafeterias, vacation installations, sanatoria, etc., as well as public eating services.

What demands are not given consideration in the modified system?

It turned out that poultry could not be eliminated from the card system. This is because it constitutes nearly one-quarter of all the meat available for distribution.

The expectation, that freely purchased poultry can be a supplement for consumption based on the card system, is simply illusory in the concrete situation of a 20 percent drop in the supply of meat for the market. This is because excluding poultry would mean a reduction of the total allotment norm on the same scale. Poultry would then become another shortage, like other kinds of meat.

Similarly inactive in the current period is the demand for a further considerable rise in the standards (e.g., by 50 percent) voiced particularly in large urban areas, still finding their justification in certain preferences. The quantity of meat indispensable for such an increase in

the norms, if it were available, would make the need for its regulation completely questionable.

However the truth is absolute and brutal. The currently proposed level of norms cannot be completely guaranteed in market supplies of domestic production and requires considerable imports.

II.

Undoubtedly the expectations of society are associated with data on the statistical level of consumption per capita. This is the source of the reaction to the norms proposed in the initial draft of the system, characterized by some mistrust and suspicion, and at the same time by a tendency toward the "performance" of the GUS [Central Office of Statistics] 72 kg per person.

Let us examine the problem in all of its complexity.

In 1980 consumption per inhabitant was defined as approximately 72 kg of the so-called "meat mass," and thus meat, poultry, coldcuts, giblets and all kinds of products. This amount is composed of three elements, i.e.:

- Market supplies amounting to 58 kg per person (50.5 kg directly to shops, and 7.5 kg per person to public food services, cafeterias, nurseries, pre-schools, schools, hospitals, etc.);

- Meat consumed in the form of vegetable-preserves, frozen products, delicatessen products, etc., amounting to approximately 2.5 kg per person; and

- Self-procurement estimated by GUS at approximately 12 kg per person.

A drop in procurement in 1981 by 400,000-450,000 tons means a reduction in consumption from 72.5 to 64.5 kg, and in market supplies by 11-12 kg per person. Consequently there must be a reduction in sales per capita in retail stores from 50.5 kg to 41.5 kg. These 41.5 kg represent the real basis for establishing norms.

Now let us examine the balance. In 1980 market supplies of meat (so-called meat mass) amounted to 2.08 million tons). They will amount to approximately 1.7 million tons. From this quantity it is necessary to subtract assortments not included in the card system (approximately 130,000 tons) and the amount indispensable for supplying cafeterias, hospitals, nurseries, pre-schools, schools, public eating services, etc. (approximately 200,000 tons). For the purpose of attaining the supply level of meat for collective eating, meat allotments for public eating services are being reduced by half in comparison to last year. Thus approximately 1.37 million tons will be left for card sales.

Population group	Institute of Food and Subsistence		
	"B" norm of adequate food at moderate price (in kg)	"D" norm expedient for opti- mal food (in kg)	Norm defined in the system of regulation of sales (in kg)
Children 1-3 years old	1.2	1.5	2.0
" 4-6 years old	1.4	1.8	2.0
" 7-9 years old	1.6	2.0	2.0
" 10-12 years old	2.1	2.7	3.5
" 13-15 years old	3.4	4.2	3.5
Girls 16-20 years old	4.2	4.4	4.2*
Boys 16-20 years old	4.2	5.2	4.2*
Pregnant women	3.9	4.9	5.0
Nursing women	4.4	5.2	5.0
Men working very hard	5.0	5.85	5.0
Men working hard	4.2	.	4.0

*Norms set for ages of 16-18 years

It is obvious that the sales regulation system must guarantee the procurement of sufficient quantities. Therefore it is necessary to create a safety reserve covering fluctuations in procurement and possible mistakes in estimating the respective numbers of people entitled to use cards. This reserve amounts to approximately 140,000 tons.

At this point I would like to assure you that the reserve not used for these purposes will be utilized to increase supplies in holiday seasons.

Consequently approximately 1.23 million tons of meat mass are included in card distribution.

This amount is distributed as follows:

	in kg (annually)
A. Children from 1 to 9 years old	24.0
B. Children from 10 to 15 years old	42.0
C. All pregnant women and nursing women residing in the country and in the city	60.0
C. Miners employed underground	60.0
D. Workers performing physical work	48.0
B. Other workers and persons supported by workers and not excluded from card supplies	42.0
E. Young people 16-18 years old	50.4
R. People residing in the country (people supported by farm income, PGR [State Farm] workers, members of RSP [Agricultural Producer Cooperatives], peasant-workers and members of their families supported by them)	24.0 (only meat and coldcuts)

These quantities are supplemented by food in cafeterias in plants, schools and public eating services. Under the conditions of smaller locales, as well as in the country, there will also be considerable self-procurement.

Semi-meat products, vegetable-meat preserves, frozen products, coldcut products, and delicatessen and kitchen products will be generally available. Free-market sales of meat will also be permitted at markets.

Consequently on the whole actual meat consumption will be higher than the level resulting from card distribution.

III.

In agreement with the demand expressed in consultation, it is assumed that there will be a card system for butter sales. The following norms have been proposed:

	Norm amounts in kg (annually)
1. Children from:	
1-3 years old	6.0
4-18 years old	9.0
2. Nursing mothers and pregnant women	9.0
3. Peasants and peasant-workers (except those mentioned in points 1 and 2)	3.0
4. Others entitled to hold cards	6.0

I would like to stress that, in opposition to these recommendations, other kinds of fats have been excluded from regulation. Thus vegetable fats, lard and fatback will be sold in the cardfree system. It is anticipated that supplies of vegetable oils (oleo, margarine) will increase by 18 percent in 1981, and that supplies of lard and fatback will be close to the level achieved in 1980.

IV.

We are fully aware of the negative effects associated with the introduction of regulation. These include an increase in the threat of speculation, a black market may arise, the money situation will weaken, and additional costs associated with the introduction and maintenance of the card system will arise. With respect to the conditions for meat distribution established for years in our country, regulation will cause some limitation on the possibility of buying in large urban-industrial centers, and a relative or even absolute improvement of meat supplies in small urban and country centers.

However, weighing the fact that the introduction of the card system for meat is expected by the Gdansk agreement, that a decided majority spoke out for the introduction of this system in discussions in society, that there will be a drop in procurement this year, that meat prices have been frozen until September 1981, and that there will be another considerable increase in the income of the population (by approximately 17 percent), the government shared this attitude and presented the draft introduction of the card system for a temporary period. However, we consider the regulation system as an emergency and exceptional measure.

In my opinion we must exploit the period in which these limitations will be compulsory to prepare a draft for a rational solution to the problem. After all, the market balance requires proper economic relations and proper price structure, and if subsidization is necessary, it must concern market production and not consumption. Only such rules of the game will lead to the gradual formation of good market conditions.

6806

CSO:2600

VALUE OF NEW AGRICULTURAL PRICING POLICY EXPLAINED

Bucharest REVISTA ECONOMICA in Romanian No 6, 6 Feb 81

[Article by Maria Stroe and Calin Ionescu of the Institute of Agrarian Economics:
"Price Correlation to Encourage Firm Application of New Economic-Financial Mechanism
in Agriculture"]

[Text] Acceleration of the process of modernization and intensive development of agriculture is one of the main priorities in the 1981-1985 Five-Year Plan, and its accomplishment to a great extent depends upon development of the national economy as a whole and improvement of the entire people's welfare. Benefiting by extensive party and state support through the policy of rapid development of its technical-material base and further improvement of planned management, agriculture is to make a great qualitative leap. The present organizational framework can provide uniform management both regionally and departmentally, permitting intensified concentration and specialization of agricultural production. Meanwhile introduction of the new economic mechanism in the agricultural units requires consistent application of the principle of self-administration and self-financing.

Better conditions for this were created by the series of measures approved by the Plenum of the RCP Central Committee of 16-17 December 1980 for updating and economic correlation of production, contracting and purchase prices for the agricultural units and individual producers. Moreover the law passed by the Grand National Assembly at the session in December introduced, beginning this year, the new production, contracting and purchase prices in agriculture, updated and correlated on economic principles, in order to make all products and activities in this sector profitable. The law requires the state and cooperative agricultural units to take steps to strengthen economic-financial self-administration and to lower production costs and especially material outlays by producing and exceeding the planned outputs, performing all agricultural operations punctually and efficiently, and making effective use of the machinery, equipment, irrigation systems and fertilizers.

The improved correlation of the production, contracting and purchase prices meets an objective necessity and the requirements for greater economic effectiveness throughout all agricultural activity.

Analysis and regular control of the management of financial resources by each socialist agricultural unit through its preparation and check on the implementation of the budget of incomes and outlays as a basic instrument of economic management revealed

a decline in the profitability of many units largely because the purchase prices for a number of agricultural products (which remained unchanged for a long period, some since 1965) did not cover the actual production costs, which were affected by the changed prices for raw materials, materials and energy. In animal husbandry, except for the sheep sector, prices had remained the same since 1973, and in crop production (wheat, corn, fodder barley, sunflowers, sugar beets, soybeans and winter potatoes) they had not changed for over 12 years.

Evolution of Production Costs and Average Selling Prices in Zootechnical Intercooperative Economic Associations

(in %; 1970=100)

Product	Production costs		Average selling prices	
	1975	1979	1975	1979
Pork	137	149	112	115
Beef	144	164	126	132
Mutton	108	119	103	100
Poultry meat	97	94	85	80
Cow's milk	120	121	111	113
Eggs	94	94	88	88

In the above example the point should be stressed that the economic units (intercooperative associations) had generally comparable conditions, with production based on modern technologies in an industrial system. It can be seen that the average prices obtained upon delivery of the products lagged far behind production costs, which increased 3.2 times more in the case of pork, 2 times more in the case of beef, etc. Compensation out of the budget for the effects of the real increases in production costs and of failure to make the profits could be no incentive to the units' own efforts to increase the average and total yields of various agricultural products or to lower production costs by maximum use of all existing resources.

High profits in some sectors of the processing industry and some poor results in the agricultural producer units were a secondary effect of prices uncorrelated with the value of the agricultural products.

The measures in effect are intended to strengthen the role of the price system in implementing the party's agricultural policy and to mobilize all agricultural units for consistent application of the new economic-financial mechanism and the principles of self-management and self-administration. They permit more accurate measurement of each unit's efforts to increase the profitability of crop and livestock production while encouraging the effort to considerably reduce the material outlays. The socialist agricultural units and individual producers will be encouraged to increase the average yields, to improve product quality, and to sell their products to the state reserve according to the contracts.

Updated and improved correlation of the production, contracting and purchase prices makes it certain that the true proportions of the incomes and outlays will be reflected in the administration of the agricultural units and in the case of the individual producers as well.

To this end the law provides unification of prices and elimination of the differences between the state, cooperative and private sectors in order to ensure uniform prices for the same products of the same quality. This places all agricultural producers in comparable positions, since each one receives the same price for the same quantity of output.

The rates for operations performed by the SMA's /Agricultural Mechanization Stations/ will be updated and economically correlated in the same way, so that those units will be based upon the principles of economic-financial self-administration. The services performed by SMA's for IAS's and CAP's /State Agricultural Enterprises and Agricultural Cooperatives/ and for the uncooperativized farmers in the hill and mountain areas will be paid for at uniform rates.

The uniformity of the new production, contracting and purchase prices and of the rates for mechanized operations is based on equalizing the levels of technical equipment of the state and cooperative agricultural units and equalizing the prices for the raw materials and various materials for agriculture upward.

The degrees of profitability of the agricultural units will be differentiated henceforth on the basis of the increase in the yields and improvement of their quality. In this connection, granting bonuses or price increases for output delivered for export through production of quantities in excess of contracts and of a better quality is one way of encouraging the agricultural units and individual producers that has proved its viability.

Updating prices for agricultural products, a political and economic measure of the greatest importance, requires every agricultural workers collective to make the most responsible effort to reduce material outlays and specific consumption, to make the fullest use of the production capacities and the productive potential of the soil, to exploit the biological potentials of the plant varieties and livestock breeds, and to enhance labor productivity.

Implementation of the program to heighten economic effectiveness in all activities and to raise the incomes of the socialist agricultural units and the farmers is a powerful factor for stimulating the efforts the agricultural workers collectives and all the farmers are making to further increase agricultural production and the social labor productivity in this basic sector of the national economy.

5186
CSO: 2700

PRICE OFFICIAL QUERIED ON INFLATION PROSPECTS

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1571, 8 Feb 81 pp 8-11

[Interview with Anton Polajnar, president of the Federal Community for Prices, by Mirko Djekic: "We Are All Boosting Prices"]

[Text] [Question] Anton Polajnar, whom NIN has interviewed in this issue, recently became president of the Federal Community for Prices, one of the most recently established self-management institutions, whose purpose is through constant discussion and agreement to carry out the agreed policy of the republics and provinces in one domain. And that domain is one of the most important: prices, the standard of living, and the cost of living. The everyday economy with its caprices. Will it abide by the resolution on social development, the medium-term plan, will it respect the signatures on social compacts and self-management accords? Does it know the meaning of that magical word--stabilization--and how crucial it is to everyone?

Inflation Respects No Deadlines

[Answer] You have yourself seen that we did not have a favorable beginning this year at all. Nor could we have had, just as the rise of prices could not be halted over the night from one year to the next. Inflation has continued its course. The public already knows the datum that our inflation last year was 39 percent if we compare the price level last December with December 1979 or some 30 percent if we compare the average price rises last year with the average of the year before last....

[Question] Which is also evidence in its way that inflation is continuing to rise?

[Answer] Why, sure.... Inflation at a rate of about 17 percent was carried over, as it is usually said, from last year to this. At the very beginning of the year we confronted price rises of petroleum and other products and the important impact of that package on prices. This time the action was taken to meet the needs of the budget. It is all the same: estimates show that this will raise retail prices 7 or 8 percent. If we add to this the constant pressure of the economy for higher prices because of higher production costs, then one easily concludes that we are faced with a difficult task of ensuring more moderate price rises in the future and of achieving what was stated in the resolution--a slower rise of prices and the cost of living than last year.

[Question] How can this be done?

[Answer] I feel that it is very important to reach and implement an agreement on price policy. Not only among the republics and provinces, but an essential agreement with the economy. We have to join together in fighting for what has been set forth in the document, and that is the right way, the way that essentially corresponds to the spirit of our system.

The purely formal enactment of all the criteria and self-management documents on the movement of prices cannot bring inflation to a halt. Rather we must all respect the stabilizing character of this year's economic policy and turn much more than in the past toward the real causes that are feeding instability and generating inflation. It is self-evident that this is not a short-lived process, but is a job that will last all of the next 5 years. It seems to me, then, that the most important thing at this point is to create a general climate in which all the elements of stabilization policy are respected so that we do not fall into that well-known hysteria in which everyone is hastening to raise prices as quick as possible on the principle of the sooner the better and in any case to realize larger income faster than others.

I am an optimist and I am convinced that we can reach agreement with the economy on all points, since stabilization is in the interest of the economy above all.

[Question] Do you think that the strongest wave of inflation has already passed or is just approaching? I am thinking of the datum that our inflationary process was fastest precisely in the last 3 or 4 months. At one point we even reached the very high level of inflation of over 50 percent if we look at just the brief period of the last 2 months of last year.

[Answer] I think that the pressure for higher prices will probably continue to be rather strong over the next several months. After that inflation should probably follow a downward line. It is very important that we persist in the campaign that is now being conducted and truly implement stabilization policy. I have the impression that the economy is ready to comprehend the need for more moderate trends on the market. After all, it is well known that when the rate of inflation exceeds a certain percentage, by and large a very high percentage, then the economic and indeed even legal mechanisms begin to fail, the behavior of participants in the economic chain is altered, and the wave of price rises seems to proceed under its own power. Certainly we must always be mindful of this.

How To Avoid the Blow

[Question] If you already expect a new thrust against prices in the coming months, in what sector will it be strongest?

[Answer] I would not single out any sector in particular. I think the most important thing is to correct the notion that each area of our economic system can develop independently. It is fairly evident that one person looks only at his area, others look at theirs, and still another his own, while actually few people are mindful of their coordinated action and joint influence on prices. We cannot

remove the problem from the agenda, if I can put it that way, if we allow one activity to raise its prices without taking into account the impact that has on other activities. Our community should be the place where economic measures will go through a process of mutual reconciliation.

[Question] The public has the impression that the Federal Executive Council took the first step this year that was contrary to the stabilization policy which it itself had proclaimed.

[Answer] If you are referring to the price rise for petroleum and other products for the sake of funds needed for the budget, then I can only say that we are talking about something that was inevitable. Certainly if there had been any better solution, the republics and provinces would have adopted it.

[Question] People also have the impression that prices will rise faster as jurisdiction in the field of price policy is transferred faster and faster to the republics and provinces. That is, that they will be readier to accept all the possible demands coming in from various work organizations, and they will also be seeking the easiest way of replenishing various working budgets. But all of this leads toward faster inflation.

[Answer] I do not agree. It is certain, of course, that the inflation we have is not a reflection merely of conventional market patterns, of the gap between supply and demand, but that there are other driving forces here as well. There has been a great deal of talk about capital investment projects and excessive expenditure of public funds. This has had a very significant impact on the constant rise of production costs. Just look at the proportion of material costs in the Yugoslav social product and you will see that the entire campaign against excessive investments is exceedingly important and meaningful.

I believe that in the republics, provinces and opstinas they will now accept the fact that a rapid rise of prices results only in temporary and specious success and that actually one must be mindful of better utilization of the means of production that already exist so as to be able to realize larger income through higher-than-average productivity of labor. Along with all that I would call your attention to the fact that the economy itself, at its own discretion and in pursuit of its own interests, can enter into an agreement covering the entire country and that no one can prevent it from doing so, since that very act of obstruction would constitute a flagrant violation of the unity of the Yugoslav market.

[Question] In your opinion have we overemphasized the impact of what is referred to as imported inflation? Of course, it is clear that the industrially advanced countries are constantly trying--and succeeding--to pass on a part of their inflation to the less developed countries which are purchasers of their sophisticated technology and industrial equipment. But it is also well known that the roots of a country's inflation are on its own soil.

[Answer] To tell the truth, we have not analyzed those relationships in detail and with thoroughness, though it is certain that the influence of imported inflation cannot be underestimated. It is not just a question of increasingly expensive

petroleum and other important raw materials, but also of higher prices of the most sophisticated technology. Higher prices of energy and manpower are also included in the price of equipment. I think, however, that we have been sluggish in our reactions to those external impacts, that we have been slow to understand how much we need greater economic efficiency in production of our own raw materials and manufacturing materials. We still behave as though we were rich and it is still incomprehensible that we should underestimate the area of material production costs, counting on the market's ability to accept whatever price we charge and assuming that the material cost is a cost on which there simply cannot be any saving.

Our Products More Expensive--Foreign Products Cheaper

[Question] The section on price policy in the draft of the medium-term plan states that in order to improve the economy's competitiveness in exporting conditions will be created for domestic prices to approximate as much as possible the price level in the industrially advanced countries with which we have extensive economic relations and trade. I would say, however, that many of our prices have long been higher than in the industrially advanced countries.

[Answer] That is so. Here we should be mindful of two things. First, we should ask ourselves why many prices are considerably higher here than there? The answer should be sought above all in the fact that our productivity of labor is lower in certain sectors, indeed considerably lower. Second, we should ask how it happens that recently our prices have been rising considerably faster than those in the industrially advanced countries? After all, there is a recession in the world, prices are rising in the world, but there are few cases where prices are rising as much as ours, where sudden jumps of 20, 30 or even higher percentages take place. In the European Economic Community, in which the governments are also confronting the problem of inflation, price rises of a few percentage points are the usual case.

Now try to analyze why this is so. Certainly it is not a question of the influence of foreign prices. It is clear that the causes are domestic in nature and that their roots lie mainly in production itself. This means that something is not right with us in this area--either the gap is widening between our productivity and foreign productivity, or our prices have risen excessively because of unwise investment and because income is overburdened.

Prices and the Cost of Living (growth rates from 1976 to 1980)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Prices of industrial products	6.1	9.5	8.4	13.2	28.0
Prices of agricultural products	14.3	12.1	11.4	25.6	29.0
Retail prices	9.4	13.3	13.4	21.9	32.0
Cost of living	11.6	15.0	14.3	20.4	31.0

Source: Federal Bureau for Social Planning. The average of each year is calculated against the average of the previous year.

[Question] It is well known, of course, that the working people employed in the socialized sector last year fully conformed to stabilization policy and made a very significant contribution. The price they paid, however, was a drop in the standard of living.

[Answer] Personal incomes last year were a factor that contributed very greatly to stabilization. Everyone is aware of this. However, even now there are tendencies to make up for that when funds are distributed on the basis of year-end statements. I think that that would not be a good thing. I repeat that it would be incomparably more worthwhile if in the analysis of business operation particular attention were paid to material costs and if the money for increasing personal incomes were sought through reduction of material costs and through more efficient production.

[Question] But it is clear that the standard of living did drop. Real personal incomes are down 8 percent. This affects most strongly certain categories of people employed in the socialized sector. Have you also felt a drop in the standard of living in your own family?

[Answer] Certainly it is being felt. Of course, I am in a considerably better situation in general, but especially because I do not have my own car. You know how much a car costs. I do not have a car because it seems to me that in the city, especially if a man does not have many occasions when he must often go outside the city for recreation, a car is just a burden. Of course, I use an official car for official business, and when I have an urgent private errand, I take a taxi. I think it makes more sense for me to do this than to have my own car and to worry about it.

Slovenians and People From Belgrade

At this point we should say a few words about the subject of our interview: he is a Slovenian who has been living in Belgrade for a quarter of a century now, so that it can even be said of him that he is a Belgrader of Slovenian origin.

[Question] We continued our conversation about the cost of living in his family.

[Answer] In our family we have always lived within our means, as people usually put it in this region. We have never raised the level of our own consumption up to the extreme limit so that we would be afraid that any new thrust on the market would affect us so much that we could not support it. I think that this is rather essential both in the household and in the workplace--to not go too far in debt, to not live beyond your means, to be mindful of your own spending.

It would be very worthwhile if this kind of behavior prevailed in all sectors, both in the economy and when decisions are made on capital investments and when production costs are being calculated. I often mention the sentence of a worker at Crvena Zastava [motor vehicle enterprise]. He said: If we had true division according to work, then prices would be lower. That is true. We are all boasting prices. If we had true distribution according to work and actually spent what we really earned, which represented a certain labor and a certain productivity, then prices would certainly be lower.

[Question] Do you often go to Slovenia?

[Answer] Every 2 or 3 months.

[Question] Yet you do have occasion to compare behavior in Slovenia and in Belgrade. Are Belgraders inclined to give way to the consumer mentality?

[Answer] Well, what shall I say? Yet it is true that Slovenians try as producers to be more competitive, above all with higher labor productivity. I would say that most of them know that there is no other salvation or survival and that this is their advantage on the Yugoslav market. I would also acknowledge that our work habits are steadier and that this is a matter of a tradition that was created over a rather long period of time. And finally, Slovenians find it easier to withstand certain price rises for the simple reason that employment in their families is higher, more members of the family are working. And that is an important factor.

[Question] And that, I believe, is not characteristic of many Belgraders?

[Answer] I do not want to scold Belgraders too much, though I must confess that there are differences in behavior. I would also mention what is referred to as temperament, and it seems to me that the average Yugoslav should be sought between the Slovenian labor productivity and the Belgrade desire to spend and raise the standard of living. But I must admit that it bothers me when I realize that the manager of the supermarket is selling goods to his friends under the counter, when consumers simply are forced to build up unnecessary reserves in one way or another.

[Question] The opinion is rather widespread among economists who have made public statements in recent months that it would be a good thing if Yugoslavia's economic policy acknowledged the existence of our high rate of inflation and if a step were taken similar to the steps at the time of the economic reform.

[Answer] I am not an advocate of such abrupt changes. Relations are altered by an act like that, but behavior is not changed. I feel that it would be better if we conducted a debate, in the assembly say, which would show us all the developments that have taken place in the economy and all the kinds of relations that have taken shape since the economic reform with respect to price disparities or what has brought about the different degree of price rises from one sector to another. After that we would be able to formulate a long-range policy for alignment of relations in primary distribution and for achieving that harmony over a lengthy period of time. I think that that would be the more sensible way to go about it.

Sudden Actions Are Short-Winded

[Question] Then other economists feel that it would be good if the present level of inflation were gradually reduced so that in 5 years, at the end of the medium-term plan, the present rate of inflation were cut in half. Instead of 40- or 30-percent inflation, the rise of prices then would be some 15 or 20 percent.

[Answer] I also think that that would be a better way, since an inflation rate of some 15 percent at the end of the 5-year plan would be more realistic and would

have a firmer underpinning. That ought to be our task, especially since inflation in the world is not as low as it once was. Even the plans of many countries more advanced than us now assume an inflation rate of 10 percent or more.

Rise of Food Prices From 1970 to 1979, in percentage

Turkey	693	Japan	121
Brazil	643	United States	99
Yugoslavia	350	Norway	99
Great Britain	253	India	81
Greece	233	Belgium	73
Italy	208	Austria	63
Australia	141	Switzerland	52
Canada	138	Denmark	48
France	130	West Germany	47
Sweden	123	Hungary	45

[Question] The Federal Community for Prices is a new institution replacing the Bureau for Prices, that well-known institution which had "people waiting in line" in front of its doors, including even the best-known Yugoslav business executives and directors of large enterprises. What is the difference?

[Answer] I think that the first difference is that the community is under the constant influence of a public body, which is called the council, and that the job of the community is to bring relations in this field into line and to implement social compacts. Most of the people in the council are from the economy--25 of the 43 members. All sectors and industries have been represented, there are representatives of republics and provinces, of executive councils, of the Federal Executive Council, of the Socialist Alliance, of the trade unions, and their representatives of consumer organizations. This is no longer a purely governmental body, and procedure will have to be different.

[Question] Still and all: one gets the impression that your job will not be easy and that this is one of those jobs in federal institutions that many people would not push and shove to get.

[Answer] Nor did I do any pushing and shoving. But even in the other posts in which I have worked I have attempted to impart something that would help to improve the system. I would never have taken this job if it had been the old Bureau for Prices. In all of this, and indeed in the new Law on Prices, I see a new qualitative attribute. I consider myself a realist, and I know that we cannot make both the law and the community fully perform their role toward real cooperation with the economy in conducting a price policy so that the economy truly feels its responsibility, so perhaps in a year or two it will be easier to discuss everything. Our policy cannot be a steady rise of prices and a drop in the standard of living.

[Question] The draft of the 5-year plan speaks explicitly about support prices for basic agricultural products in order to protect the standard of living. Whose standard of living is to be protected?

(Answer) In my opinion the main link in production consists of those workers who are most directly related to that production and who do not have many occasions to earn additional income away from their jobs. The productivity of labor in that work organization depends to a great extent, I would say, on their attitude toward their jobs. These are not those so-called poorest-paid workers with the lowest skills. These are mainly people with certain skills, real industrial workers. When we are thinking about protecting the standard of living, I give them preference.

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NEED TO UNIFY FERROUS METALLURGICAL DEVELOPMENT SEEN

Belgrade CELIK in Serbo-Croatian Oct 80 pp 5-7

[Text] We can state that in the development of ferrous metallurgy we have numerous anomalies and disproportions today, both within the branch in individual technological phases, and in regard to the level of development of the branch in relation to the needs for steel consumption. These problems are greater than they were in the beginning of the 1970s, at the time of the approval of the Agreement. The country's dependence on steel imports has increased, as well as its dependence on ferrous metallurgy imports in general, because of lack of coordination in technological phases. Imports of steel products and metals today is one of the significant causes for the high balance of payments deficit of the country as a whole.

Despite major investments in the development of ferrous metallurgy, expectations have not been realized in harmony with social plans and agreements. But the end of 1980 only about 50 percent of the planned steel installations will be completed, and the lack of coordination and disproportions will be exacerbated, as seen in the table below:

	<u>available 1975</u>	<u>Capacity - 1,000 tons</u>		
		<u>to be completed by agreement in 1980</u>	<u>Est. 1980 completion</u>	<u>variation from plan for 1980</u>
1. Coking plants	2,000	3,550	2,700	-850
2. Iron ore mines	6,000	11,000	6,000	-5,000
3. Blast and other furnaces	2,970	4,710	3,950	-760
4. Crude steel	4,580	7,130	5,660	-1,470
in above: electro- furnaces	1,050	1,260	1,380	+120
5. Rolling plants and other processing*	4,600	4,700*	6,676	+1,976

*According to the Social Plan of Yugoslavia for the period 1976-1980

This development has led to a series of economic, technological and other problems. The dependency on ferrous metallurgical imports has increased to \$120 per ton of completed steel products, compared to \$70 per ton in 1975, while the plan for 1976-1980 had anticipated that that figure would be reduced to \$40 in 1980. Today we are obliged to import more than 1.5 million tons of iron ore annually, along with 500,000 tons of scrap steel, more than 1,000,000 tons of semi-finished products, and about 950,000 tons of finished steel products. Total metal imports for 1980, including metal in iron ore form, will total more than 2.3 million tons in the framework of ferrous metallurgical operations, out of a total production of less than 4 million tons of steel products.

The foreign exchange data for imports of raw materials and finished steel products in recent years are as follows:

<u>millions of dollars</u>						
	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980 est.</u>	<u>total 1976-80</u>
1. Iron ore, scrap steel and semi-finished products	158	222	258	339	450	1,427
2. Finished steel products	342	409	397	526	550	2,224
TOTAL:	500	631	655	865	1,000	3,651

No more detailed commentary is necessary to show what this unfavorable development of ferrous metallurgy means for our economy. This type of unfavorable development is particularly bad from the standpoint of the competitive capabilities of domestic machine building, ship building, transportation equipment and metal processing industries in foreign markets.

The essential causes of this state are found in the fact that in the past period, ferrous metallurgy has not been building in accordance with a unified developmental conception, such as the one for which we all declared ourselves in the documents indicated. Development has taken place autonomously, and programs have operated each for itself. Regarded separately and outside the context of the whole, those programs probably appeared to be economically and technologically justified. Such a standpoint, however, is not possible. Taken together, that type of development has brought ferrous metallurgy as a whole and each separate branch of it as well, each individual organization of associated labor, into an unfavorable economic position, while bringing the national economy as a whole to a position of great dependence on imports for supplying steel. Recently, we have witnessed ever more difficult problems in the development of fundamental economic branches, which are expressed in low income, high losses, over-indebtedness of organizations of associated labor, etc.

The way out of that unfavorable situation has been sought in increased prices, or popularly in improving the economic position of the branch. Without going into the justifiability or lack of it in these requests, which would require broader analyses of the relationships in primary distribution, it should be stressed that no price policy can resolve the economic situation of ferrous metallurgy when unfavorable development, such as has occurred, is the case. The value of capital invested in

ferrous metallurgy according to the final accounts for 1979 amounted to 110 billion dinars, while only about 40 percent of converter steel plant capacity, and about 75-80 percent of blast and Siemens-Martens furnaces, are being utilized. Given the high capital intensity of these facilities, no price policy can assure profitable operation of these organizations if facility utilization is less than 75 percent. The covering of losses becomes an increasingly difficult problem. In some republics, special obligatory loans or contributions have been introduced to cover the losses at their steel plants. Such a policy has no prospects for improving the situation in ferrous metallurgy.

It is certain that one of the most significant causes for unfavorable development of ferrous metallurgy lies in the fact that, in the system of expanded reproduction, we have not established an adequate system for financing the construction of facilities for capital-intensive branches that require a high concentration of capital.

Self-management association of capital so far has not given suitable results, and this is especially true concerning association between organizations in more than one republic or province. The tendency for nearly every republic and province to build "its own" integral steel plant obviously is not in harmony with the realistic economic possibilities of either republics and provinces or of the country as a whole. No single country in the world today strives for that, but rather, countries pool their efforts in joint developmental projects that provide optimal results, and thus the greatest usefulness to these countries.

The question arises as to whether we can implement a joint developmental concept in ferrous metallurgy within a Yugoslav framework, when individual countries in the world that do not comprise a single state or social community can do so. Several decades ago, Western Europe created a coal and iron community that has a crucial impact on the development of ferrous metallurgy in the most developed western countries. A similar situation exists in the long-term apportionment programs of the Council for Mutual Economic Assistance. In today's world no single country is so wealthy that it can permit itself the luxury of building several steel plants at the same time, when the construction of each requires a decade and more.

All of this points to the fact that the problem of adopting and implementing a unified concept for the development of Yugoslav ferrous metallurgy becomes an imperative. That should become one of the basic goals of the agreement on joint developmental policy for the period 1981-1985. Unfortunately, the trends continue to be unfavorable. Available data on developmental plans for organizations of associated labor in ferrous metallurgy for the period 1981-1985 indicate the need for dealing with those problems very seriously and in a thoroughly concrete manner. All social segments of the country must become involved in these matters, as soon as possible.

Specialists' estimates on necessary capacities in separate phases of production, compared to developmental plans of organizations of associated labor in ferrous metallurgy by 1985, show that the unfavorable trends in the development of this branch are continuing and that in 1985 we will have even more problems and difficulties than today, for the lack of coordination in development will be even greater. This is shown by the following data:

Capacities in 1985, 1,000 tons

	According to estimates of the Federal Planning Office	According to plans of Organizations of Associated Labor	Difference (+ or -)
1. Coking plants	4,300	5,000	+700
2. Iron ore mines	11,000	7,800	-3,200
3. Iron smelters	5,600	4,700	-900
4. Steel plants	8,000	8,500	-500
5. Rolling mills and other processors	6,100	9,700	+3,600

Even assuming certain reserves exist in the specialists' estimates on the necessary capacities, the major variation is clear. In 1985 we will be short more than 3 million tons of iron ore. Smelting capacities will be about 1 million tons below needs, while rolling facilities will be above needs by more than 3.5 million tons. In the structure of steel production, electrical furnaces will provide about 40 percent, which will be even more unfavorable than previously from the standpoint of the energy situation, and particularly regarding balance of payments difficulties in obtaining reproduction material through imports. Cheap electrical steel cannot be produced in quality and mass using more expensive thermal energy (and we do not have sufficient resources of other energy), nor using imported scrap steel.

Investments in ferrous metallurgy facilities, according to the plans of organizations of associated labor, amount to more than 150 billion dinars (at 1980 prices), while according to the specialists' estimates of the Federal Planning Office, the country's needs for steel by 1985 could be satisfied by investments of about 90 billion dinars. The differences is great, and as a society, we should not easily pass over this.

Despite significantly higher planned investments according to the plans of organizations of associated labor, or republic plans, the dependence on imports would be increased significantly. We would have to import more than 3 million tons of scrap steel and semi-finished products. In addition, we would continue to import some quality product mixes and special dimensional steel products. Imports in 1980 [six-translator] would be double those in 1980. This would be impossible to maintain in the balance of payments situation of the country, which will not be markedly better in 1985 than it is now. We must figure, with a high degree of certainty, that the largest part of the increase in Yugoslav exports will continue in the future to be set aside to cover imports of energy, raw materials and technology, which cannot be substituted for in this period. That is the real situation that must be taken into account in determining the program for the development of ferrous metallurgy by 1985 and thereafter.

Attempts so far to coordinate developmental plans of organizations of associated labor in ferrous metallurgy by 1985 have not provided results. In the process of coordinating agreements on the foundations of the Yugoslav social plan between

republics and provinces up until the present, this problem has not received any profound consideration. The worst possibility, which must be avoided in all ways, is that everyone would stick to their plans, and that those projects would begin to be implemented as separate and isolated ones. That would result in a further deepening of the lack of coordination in the operations of total social reproduction, increasing the expenses for producing steel, bringing further technological lag and long-term incapacitation of the industries for which steel is the basic raw material (such as machine building and metal processing industries). This would make it impossible for these industries to compete equally in the international division of labor.

All of these factors suggest the need to assure that in approving the agreements and self-management contracts on the development of ferrous metallurgy by 1985, we debate fundamentally the developmental problems of this branch of industry and adopt a developmental concept for ferrous metallurgy that will assure the optimal economic and technological development of this branch. That is the only manner in which we can assure fulfilling the income interests of all organizations of associated labor.

The basic problems that must be resolved are the adoption of a unified concept for this development, and provision of resources for its implementation. The pooling of resources under favorable terms, which can make it possible to obtain cheaper domestic steel, is the only way to solve this mutual, major developmental problem.

Previous insufficient economic motivation for pooling labor and resources on profitable bases to achieve the mutual interests of organizations of associated labor involved in steel is certainly one of the basic causes for the lag in this process, which remains in the initial stage. Particularly modest results have been recorded in the pooling of resources of organizations of associated labor between republics and autonomous provinces, as a consequence of very pronounced efforts to "round out" the production system and achieve a territorialization of financial resources for purely local development. This type of situation in trends in social resource use also destroys the unity of the Yugoslav market. Much of the responsibility for this sort of behavior can be attributed to sociopolitical communities. Their influence on development in this branch is very pronounced. Through well-conceived long-term development concepts, a unified program in a unified market, new organizational forms of firmer self-management bonds between organizations of associated labor, in which highly specialized personnel will have a significant place, intensive application of domestic or imported innovations and domestic scientific and technical potential, solutions will have to be found for the further development of ferrous metallurgy.

It is in the interests of steel consumers as well, and they must become involved in solving that problem, because their development is also in question. Measures of mutual economic and developmental policy must be turned in that direction.

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